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Кафедра «Современные европейские языки»

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## **BUSINESS INTERESTS**

Учебно-методическое пособие  
по деловому английскому языку  
для студентов экономических специальностей

*Учебное электронное издание*

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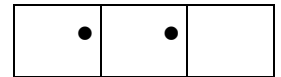
Настоящее учебно-методическое пособие составлено в соответствии с программой курса делового английского языка для студентов экономических специальностей. Пособие содержит 20 дополнительных текстов к основному учебному пособию «Market Leader». Приводимые в пособии тексты могут быть использованы для занятий в аудитории, а также при самостоятельной работе студентов.

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## A snip at the price

### The recession gives parsimonious innovators a chance to go global

Cobbled together from carts, old cars and anything else to hand, the improvised vehicles used by Indian farmers are often known as *jugaad*. The term also has a much broader meaning – referring to an innovative, low-cost way of doing something – as goods and services are provided in India at a fraction of the cost of those in developed countries. Ingenuity is a necessity when resources are limited and customers have little money. In a global recession it also provides a way for companies in India and China to expand into foreign markets where consumers are seeking better value for money.

Asia's cost-cutting innovators reject the notion that purchases of certain items only take off when consumers' incomes reach specific levels, says Rama Bijapurkar, a consultant, speaking at a recent conference organised by the Centre for India and Global Business at the Judge Business School in Cambridge, England. Instead of selling items in small quantities to the rich while waiting for everyone else to pass the relevant "income threshold", they re-engineer their products into cheaper ones to unlock mass markets right away.

Anil Gupta, of the Indian Institute of Management, helps run the Honey Bee Network, which encourages grassroots innovation in a number of countries. The projects he has been involved with include a refrigerator built from clay, which uses no electricity yet can help keep vegetables fresh for several days, and a cheap crop-duster in the form of a sprayer mounted on a motorcycle.

Innovation also takes place at a higher level, especially in the growing number of sophisticated research-and-development (R&D) laboratories in China and India. China is already close to overtaking Japan in research spending: over 300 multinationals have opened R&D centres in the country, says Peter Williamson, visiting professor of international management at the Judge school. Many firms began by using Chinese engineers and scientists, who are paid about a quarter as much as those in Europe or America, to adapt products for the local market. But now, he says, they are developing products for world markets.

There are also home-grown innovators such as BYD, a Chinese electronics firm. It has developed lithium-ion batteries that are unusually cheap and easy to make. It has succeeded in reducing costs from \$40 a battery to less than \$12. Earlier this year BYD's automotive subsidiary unveiled a plug-in electric-hybrid car at the Detroit motor show. Thanks to the firm's cheap batteries, it could sell for about half the \$40,000 or so that the Chevy Volt, a plug-in hybrid under development at General Motors, is expected to cost.

Other examples in China include ZPMC and Zhongxing Medical, says Mr Williamson. ZPMC hired a small army of 800 design engineers to produce container-management systems which customise for individual ports. It has now captured half the world market in harbour cranes. Zhongxing Medical, borrowing technology from the aerospace industry, has produced an X-ray machine capable of producing digital images directly. Although not as sophisticated as some fancier models sold by Western firms, it is suitable for most routine applications, such as chest X-rays. And it is produced for almost a tenth of what GE and Phillips used to charge for specialised digital X-ray machines, even after those companies cut their prices.

Perhaps the most famous cost-cutting innovator in Asia is Tata Motors, India's biggest carmaker. In March it launched the Nano, which in basic form costs 100,000 rupees (\$2,100). A fancier version of the car is expected to be launched in Europe and America in about two years.

India's prolific and low-cost film industry, which churns out some 12,000 movies a year, is also going global. Although Indian films have long had a foreign audience, new co-production deals with Hollywood should increase their reach. Reliance Entertainment, for example, signed a deal with a number of American production houses last year. Rohan Sippy, a Bollywood producer, told the conference that Hollywood studios are keen to do deals with Indian filmmakers so that they can make for themselves cheap song-and-dance "masala" versions of American movies before Indian studios beat them to it. Whether Western firms can truly learn the ways of the *jugaad*, however, remains to be seen.

May 28th 2009  
From The Economist print edition



**Across:**

6. producing constant or successful results
7. to make (something secret or concealed) known or public; divulge; reveal
8. using the minimum required; not wasteful of time, effort, resources, etc.

**II. Add the appropriate noun to each group below to make three compounds each time.**

1. .... department  
laboratories  
costs
2. .... threshold  
flow  
bond
3. .... market  
consumption  
production
4. .... investigation  
rating  
segment

**III. Use a compound from each group in Exercise II to complete these sentences.**

1. Science never stands still and innovation takes place in numerous ... .. all over the world.
2. They have never been able to wait for their customers to pass the relevant ... .., they have always provided them with products at budget prices.
3. All those who can afford a luxury will never condescend to buying ... .. goods.
4. Much work lies ahead: we are to do some research, to select ... .. and think about an appropriate advertising campaign.

**IV. Match the following words and phrases as contrasting ideas.**

- |                   |                               |
|-------------------|-------------------------------|
| 1. Local          | a) to breach                  |
| 2. To capture     | b) common, plain              |
| 3. To sign a deal | c) foreign                    |
| 4. To succeed     | d) to free, liberate, release |
| 5. Sophisticated  | e) to fail                    |

☺ **FOLLOW-UP ACTIVITY**

**Divide into several groups. Each group is supposed to present a new cost-cutting technology that will enable their company to expand into foreign markets where consumers are seeking better value for money.**

## World trade and commercial aircraft

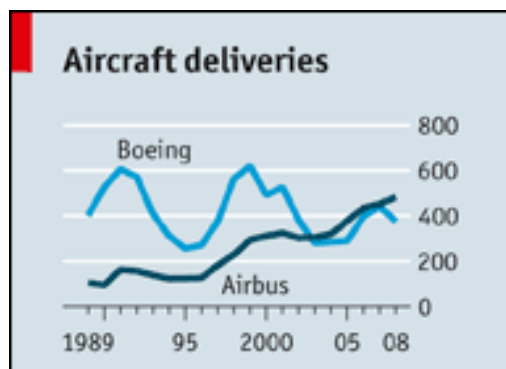
### A dogfight no one can win.

**Negotiation, not litigation, is the best way to limit the subsidies to Airbus and Boeing—and stop a trade war**

#### ☺ PRE-READING TASK

#### Is granting subsidies to enterprises a legal thing?

AFTER five years of litigation and almost 100 bound volumes of evidence, the World Trade Organisation (WTO) is about to deliver its preliminary ruling on America's (for which read Boeing's) complaint against the provision of prohibited subsidies to Europe's commercial aircraft industry (for which read Airbus). The United States alleges that this support was worth \$200 billion over 20 years. Whatever the outcome—and Boeing is confident of victory—this will be only the first stage of a lengthy process. In a few months the WTO will rule on a counter-claim by the European Union that Boeing received about \$24 billion in subsidies over the past two decades as well as large, non-repayable benefits from military and space contracts. Both rulings are subject to appeal. Peter Mandelson, Europe's trade commissioner before becoming Gordon Brown's minister for everything, described the dispute as the biggest, most difficult and most expensive in WTO history. This first ruling is a potential thunderbolt that could ignite a damaging trade dispute between America and Europe at a time when both economies need to present a united front on trade, to prevent a slide towards protectionism.



The origins of the dispute lie in America's decision, at Boeing's prompting, to withdraw in 2004 from a 12-year-old bilateral agreement with Europe governing trade in large civil aircraft. The agreement banned direct production and sales subsidies, but let governments continue to funnel money into new aircraft projects. It permitted both repayable direct state aid (the European approach) covering up to a third of all development costs, known as launch aid, and indirect state aid (the American approach) if limited to 3% of the domestic industry's sales volume. Boeing, however, says it expected the deal to

lead to a gradual reduction in subsidies to Airbus. When this failed to materialise, it withdrew. What caused its patience to run out? Two things: the success of Airbus in achieving rough market-share parity at the end of the 1990s, and resentment over launch aid for the A380, the superjumbo designed to bring to an end the long reign of the 747. Boeing also wanted to shield its 777 and new 787 from "unfair" competition in the form of Airbus's launch-aid-supported A350.

#### A target-rich environment

Boeing is right to argue that all subsidies distort competition. But although the subsidies that Airbus receives are different from Boeing's, they are not necessarily much worse. At least they are transparent—and Europe claims that by 2007 Airbus had repaid 40% more than it had been given. Nor has the effect of the subsidies received by both firms been anti-competitive. Boeing and Airbus fight like rats in a sack for every sale, with the consequence that airlines have been able to buy cheaper and better aircraft than if one firm had been dominant.

Two other points should be borne in mind. The first is that it is out of date to see either firm as a national champion. The size and riskiness of large commercial-aircraft projects has forced even Boeing to create extended international supply chains. Second, the aircraft-makers' subsidies pale by comparison with those doled out by governments on both sides of the Atlantic in the past year. Leaving aside the trillions of dollars spent on preventing financial collapse, industrial subsidies of a kind almost certainly illegal under WTO rules have mushroomed. General Motors alone has been propped up to the tune of \$55 billion. If America and Europe were to go to war over subsidies now they would find what military planners call a "target-rich environment".

Both sides should therefore hold their fire until the WTO rules on Europe's complaint. Then, putting further litigation to one side, they should head for the negotiating table. The aim should be to secure a new deal along the lines of the old agreement, but this time with an explicit goal of phasing out the most egregious subsidies within a reasonable period. The alternative of an escalating tit-for-tat trade dispute between Europe and America does not bear thinking about.

*August 13th 2009  
From The Economist print edition*

## Guide

### ☺ COMPREHENSION

#### I. Explain what the following means.

Litigation, subsidy, preliminary ruling, non-repayable benefits, launch aid, to mushroom, to withdraw from an agreement, tit-for-tat dispute.

#### II. Answer the questions below.

1. Why did Boeing address the Dispute Settlement Body of the WTO?
2. What kind of claim does Airbus have on Boeing?
3. Where do the origins of the dispute between the companies lie?
4. What caused Boeing's patience to run out and appeal to court?
5. In what way does the litigation initiated by the companies influence the world economy?

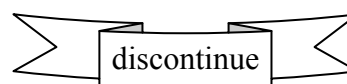
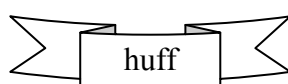
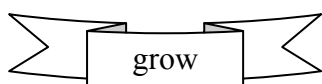
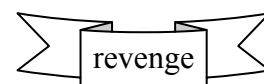
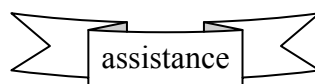
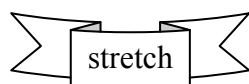
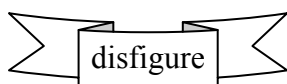
### ☺ WORD STUDY

#### I. A) Match two columns to make word combinations.

#### B) Make up three sentences using these word combinations.

ignite	competition
distort	a dispute
extend	thunderbolt
funnel	money
potential	a deal
secure	a chain

#### II. Find synonyms in the text to the following words.





**III. Fill in the gaps with the words/ expressions from the box. Change the form of the words if necessary.**

Phase out	Escalate	Supply chain	Shield	Dole out	Prop up
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1. Our ... is three-tier.
2. The shipbuilding industry had to be ... with government money.
3. The Red Cross flew to the area of the floods, ready to ... supplies of food, medicine, bedding, and tents.
4. The local war ... into a major conflict.
5. The makers have decided to ... the production of this car as it proved to be unreliable.
6. They tried to ... the General from federal investigators.

**IV. Fill in the gaps with the correct preposition.**

1. They put a bold front ... this issue during the negotiations.
2. Did you manage to benefit ... your deal with Carnation Co.?
3. Is all that is upon the firm subjected ... taxation?
4. You must be aware that entitlement payments are limited ... 10% each month.
5. Both companies should head ... the negotiating table, otherwise their constant reproaches will provoke a direct confrontation.
6. His achievements pale into insignificance ... the side of her victory.
7. Boeing expected the deal to lead ... a gradual reduction ... subsidies to Airbus, but its patience finally ran ... .

**V. Translate from Russian into English.**

1. Причины конфликта лежат в основе решения Боинга выйти из двустороннего соглашения с Airbus, регулирующего торговые отношения в области гражданской авиации.
2. Субсидии, выделяемые государством, ничто по сравнению с помощью, выделяемой со стороны инвесторов.
3. Торговый уполномоченный заявил, что в ближайшее время ВТО рассмотрит встречный иск Airbus, который станет самым трудным и дорогостоящим в истории организации.
4. Даже не принимая во внимание триллионы долларов, потраченные государством на дотации компаниям с целью предотвратить их финансовый крах, количество нелегальных субсидий неуклонно увеличивается.
5. По мнению представителей Boeing, любого рода финансовая поддержка предприятиям искажает понятие свободной конкуренции.
6. Субсидии, предоставляемые Airbus являются открытыми, к тому же в 2007 компания погасила все долги.

**☺ FOLLOW-UP ACTIVITY**

**Divide into two groups: one group is in favor of protectionism and stand up for various kinds of assistance to national producers, the other group is strongly against such measures as they contradict the idea of free trade. Try to persuade the counterpart that your point of view is more correct.**

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## The Cola Wars

Cola Wars Coca-Cola and its competitors have been at war for almost a century. For the first half of the century, Coca-Cola dominated the soft drink world. Coca-Cola challenged other manufacturers in court and, when this failed, the company did its best to undercut competition. Throughout the twentieth century, Coke's main rival was Pepsi-Cola, which began to slowly gain ground beginning in the 1950s.

In the 1970s, Pepsi-Cola's market share in Dallas, Texas, was a dismal 4 percent-far behind Dr Pepper and Coca-Cola. To find out why, Pepsi ran a series of double-blind taste tests comparing how people responded to the different soft drinks. Much to their surprise, the majority of testers, even die-hard Coke drinkers, preferred Pepsi. Pepsi launched a series of commercials called The Pepsi Challenge, showing Coke consumers stating in a blind taste test that they preferred Pepsi. This launched the so-called cola wars. Coca-Cola sales declined, so the company responded with an advertisement that compared the Pepsi challenge to two chimpanzees deciding which tennis ball was furrer. Other soft drink companies became involved: 7-Up, for instance, came up with a campaign that positioned it as the Uncola.

Coca-Cola launched another advertising campaign in 1981 with the slogan "Coke Is It." However, Coca-Cola sales continued to decline and the company's own double-blind taste tests confirmed that most people preferred the sweeter taste of Pepsi to Coke. Company executives concluded that they needed to change the formula for Coca-Cola and in 1985 the company introduced a sweeter New Coke, which had been preferred in double-blind taste tests over both Pepsi and the old Coke. The company supported its introduction with a massive advertising campaign. Many Coca-Cola drinkers were outraged at the change and within months Classic Coke was back on the market. Sales of New Coke dwindled and it was no longer marketed nationally by the 1990s. Since the 1980s, the term cola war has been applied to competition between Pepsi and Coke companies. It has played out globally as each company tries to expand its markets abroad, and it plays out locally in schools, where each company has tried to sign exclusive advertising and sales contract with local school districts.

Pepsi Cola beverage business was founded at turn of the century by Caleb Bradham a New Bern N.C druggist who formulated Pepsi Cola. Pepsi Cola Company now produces and markets nearly 200 refreshment beverages to retail, restaurants and food service customers in more then 190 countries and territories around the world and generates revenue of over 18 billion dollars. Although Pepsi holdings over the years have become diverse in such fields as the snack industry and restaurants industry this portfolio will discuss its core business and its highly successful business of beverages. The soft drink industry customer base is probably the widest and deepest base in a world that is flooded with some many categories. According to Beverage Digest the customer base for soft drinks is a whopping 95% of regular users in the United States. This represents a large field of potential customers for Pepsi Cola. Yet although Pepsi could just use the majority fallacy to market the product, Pepsi prefers to segment itself as the beverage choice of the "New Generation", Generation Next, or just as the "Pepsi Generation". These terms adopted in Pepsi's advertising campaigns are referring to the markets that marketers refer to as Generation X. The Generation X consumer is profiled to be between the ages of 18 to 29. They have high expectations in life and are very mobile and active. They adopt a lifestyle of living for today and not worrying about long term goals. Those Pepsi's main emphasis on this segment they also have a focus on the 12 to 18 year old market. Pepsi believes if they can get this market to adopt their product then they could establish a loyal customer for life. Pepsi Cola is situated in an industry that is dominated by two competitors, Coca-Cola and of course themselves. Although Pepsi and Coke basically go after all consumers who purchase soft drink beverages Coca-Cola targets its products at the head of household. This is evident in many of the ad campaigns such as "Always Coca - Cola" which refers to the traditional beverage heritage of its product. They also reinforce this in the name "Coca-Cola Classic" which is inferring to the older consumer.

This name reflects an image of value, reliability, and old time values. Pepsi Cola throughout its 100 years of existence has developed many strengths. One of the strengths that has developed Pepsi into such a large corporation is a strong franchise system. The strong franchise system was the backbone of success. Pepsi's franchise system and distributors is credited for bring Pepsi from a 7,968 gallons of soda sold in 1903 to nearly 5 billion gallons in the year of 1997. Pepsi also has the luxury to spend 225 million dollars in advertising a year. This enormous ad budget allows Pepsi to reinforce their products with reminder advertising and promotions.

This large budget also allows Pepsi to introduce new products and very quickly make the consumer become aware of their new products. Pepsi also has had the good fortune of making very wise investments. Some of the best investments have been in their acquiring several large fast food restaurants. They have also made wise investments in snack food companies like Frito Lay, which at present time is the largest snack company in the world. Probably high on the list of strengths is Pepsi's beverage line up. Pepsi has four soft drinks in the top ten beverages in the world. These brands are Pepsi, Mountain Dew, Diet Pepsi, and Caffeine Free Diet Pepsi. Pepsi also has the № 1 tea in the United States, Lipton Tea. Some other strong brands are All Sport, Slice, Tropicana, Starbucks, Aquafina and a license agreement with Ocean Spray juices. Pepsi Cola like any company has weaknesses. Ironically, the one strength that has been credited for most of its success in the past has now become a weakness for Pepsi. This former strength is the franchise system. The franchise system in Pepsi Corporate view has become a liability. Pepsi in today's market must be able to act as one instead of several separate units. The franchise system has become a hurdle to Pepsi because many of these franchises have become very strong and will not be dictated by PepsiCo on how to handle their operations. Some of these franchises are unwilling to support certain Pepsi products and at times produce their own private label products that are in direct competition with Pepsi products. Secondly the franchisees are not willing to make capital expenditures to keep up with Coca-Cola who is a firm believer in reinvesting into their infrastructure (Coca Cola at present time does not operate a franchise bottling system).

Another weakness that Pepsi is inferior is in the fountain soft drink division. This has always been a problem for Pepsi because of their ownership in fast food restaurants. Coca Cola has for years been in the top locations for fountain beverages because they simply tell the account Pepsi is their competition because of their ownership in Taco Bell, Pizza Hut, KFC, and many others. As mentioned earlier Pepsi has tried to solve this problem by spinning off their interest in fast food restaurants but at present time are still guilty by association to many of the large fountain accounts. The franchise system has also effected fountain sales due to the fact franchisees are not willing to by expensive fountain equipment to placed in accounts mainly because the profit margin is so low and could take years to recoup their investment. Pepsi also has a weakness in the international beverage market. Unfortunately for Pepsi they were a "Johnny Come Lately" into this arena. Pepsi has tried to enter this market by trying to do in three years what took Coke 50 years to do. This area will take years for Pepsi to mature simply due to Coke's dominance in the international market and the strong ties that Coke has developed with these markets and their governments. Pepsi customers buy nearly five billion gallons of soft drinks per year. Pepsi customers buy their products because of taste, price, packaging, promotional factors and of a wide variety of brands. Pepsi customers also buy their products due to the high accessibility of Pepsi brands. Pepsi products are distributed to many outlets. For example, supermarkets where Pepsi buys large shelf area and display areas so the customer can find them easier, Convenience stores, gas stations, delis, restaurants, movie theaters and almost and other conceivable spot. Pepsi has a competitive advantage over Coke because of the image it portrays. Pepsi promotes itself as the choice of the "New Generation". Pepsi gets this advantage by implementing such large marketing projects like "Project Globe". This marketing plan, which Pepsi spent 637 million dollars over five years, is to introduce the new rich deep blue coloring of its packaging.

The rich deep blue coloring represents eternal youthfulness and openness. Marketing plans like this made Pepsi one of the coolest brands recognized among teens in the top five and the only beverage product in this category. Another competitive advantage that Pepsi has is in their product Mountain Dew. Mountain Dew has grown a staggering 74.1% over the last five years. Mountain Dew has a 6.3% market share and has recently become the №4 soft drink in America. At this current pace Mountain Dew will be come the first non-cola to reach the 1billion gallon mark in one year. Pepsi also has an advantage as an innovator in their field. They will be the first soft drink makers to introduce a new one-calorie soda called Pepsi-One with, just approved by the FDA, Ace-K. This new sweetener is slated to be a break through for diet soda in which it limits the after taste associated with diet soda and brings a more cola taste to the product. Pepsi has always been a strong № 2 against Coke and have become one of the worlds largest companies. As far as market share Pepsi stands strong. Here are just a few vitals of the market: OVERALL MARKET SHARE 1. COCA-COLA 43.9% 2. PEPSI COLA 30.9% 3. CADBURY SCHWEPPE 14.5% BREAKDOWN OF MARKET SHARE 1. COCA-COLA CLASSIC 20.6% 2. PEPSI COLA 14.5% 3. DIET COKE 8.5% 4. MOUNTAIN DEW 6.3% 5. SPRITE 6.2% 6. DIET PEPSI 5.9% 7. 7-UP 2.3% 8. CAFFIENE FREE DIET COKE 1.8% 9. CAFFIENE FREE DIET PEPSI 1.0% 10. DR. PEPPER 0.6% FOUNTAIN SALES (FOUNTAIN SALES ARE CREDITED FOR 27% OF SODA SALES) 1. COCA-COLA 65% 2. PEPSI COLA 23% Pepsi is situated in an environment that is ever changing and dynamic. Pepsi must be concerned of changing taste of the consumer and be able to respond to that need immediately or risk losing market share. They also need to be financially strong to keep up with a

powerhouse like Coca-Cola and be able to strike back in the long running cola war. Pepsi must also be able to respond to different cultures in the international environment. Pepsi also has to deal with such environmental issues like the supply of raw materials to produce their products. In fact Pepsi during World War One almost went out of business because of the shortage of sugar. The list could go to include recyclable material that is now become a main concern for both giants, unions, laws from state to state or internationally and many others. As for changes that Pepsi needs to address I believe they are already addressing them. First the franchise system is currently being dismantled and being replace with one bottling unit across North America. Pepsi Chairmen and chief executive Craig Weathrup will run this. North American President will head up the concentrate (fountain) end for Pepsi, Philip Marineau. This restructuring will allow Pepsi to act as one unit and eliminate competition with private labels and uncooperative franchise bottlers. Secondly Pepsi is starting to make strides in developing foreign markets. Pepsi is beginning to pull out of some Coke dominated markets and begin to sell in up and coming foreign markets where Coke is not dominating like India and China. As mentioned earlier the restaurant spin off will also give Pepsi a better chance to get in larger fountain accounts. The one weakness that I think Pepsi is not addressing is the recent turnover in high level management. Pepsi in the last year has seen the head of their marketing department leave and have also lost several international managers.

## Guide

### ☺ COMPREHENSION

#### I. Explain the following.

1. to undercut competition
2. to gain ground
3. backbone of success
4. reminder advertising
5. to spin off smb's interest
6. recyclable.

#### II. Decide whether the following statements are true or false.

1. Coca-Cola has always dominated the soft drink market.
2. In the 70-s Pepsi's attempts to attract customers' attention were unsuccessful.
3. A sweeter New Coke was in great favour.
4. Pepsi focuses on soft drink production.
5. Pepsi's target audience is mostly people over 30.
6. The name "Coca-Cola Classic" emphasizes the company's traditions.
7. Pepsi's management knows how to make good investments.
8. The franchise system has become a key to Pepsi's successful business.
9. It is not a big problem for Pepsi to challenge Coca-Cola's dominance in many overseas markets.
10. Mountain Dew is a serious Pepsi's rival.
11. Pepsi is a likely winner in the Cola Wars as it has mostly solved the problems that used to prevent it from leading the soft drink industry.

### ☺ WORD STUDY

#### I. Form derivatives to the words in the table.

Noun	Adjective	Verb
challenge		
		acquire
	dismantling	
	franchising	

**II. Complete the crossword puzzle.**

				R															
				1.	E														
					F														
				2.	R														
					E														
3.										S									
										H									
				4.						M									
										E									
				5.						N									
										T									
										6.B									
										E									
										V									
				7.						E									
										R									
										A									
										G									
										8.E									

1. anything that has been transmitted from the past or handed down by tradition;
2. authorization granted by a manufacturing enterprise to a distributor to market the manufacturer's products;
3. a forceful or powerful person or thing;
4. something that recalls the past;
5. a deficiency or failing, as in a person's character;
6. strength of character; courage;
7. an enterprise, asset, etc., in which money is or can be put;
8. the act of spending (e.g. money)

**III. Match the word with its definition.**

a commercial establishment retailing the goods of a particular producer or wholesaler
to grow or cause to grow less in size, intensity, or number
an obstacle to be overcome
a financial obligation
to offer or produce for sale

to dwindle

hurdle

outlet

to market

liability

☺ **FOLLOW-UP ACTIVITY**

**Imagine that you are a representative of a Belarusian company. Think of some methods that you would use to compete with the rivals operating in your sphere of business.**



## An unusual London billboards campaign

### ☺ PRE-READING TASK

**What are the most impressive advertising campaigns you have participated in?  
What makes producers use modern technologies to promote their production?**

London is a proud owner of the biggest in Britain and the widest in the world billboard - a high-tech Coca-Cola billboard that can react to weather and movements. It is erected in London's Piccadilly Circus. Its size is ninety nine feet wide (thirty point seventeen meters). The London billboard is able to recognise people waving to it from the ground below and respond to SMS messages. Big drops will appear on the screen when it is raining and the Coke sign can ripple when the wind is blowing.

In September 2005, one of the most powerful and effective London billboards campaigns started. Using the Bluetooth technology and multi media content was a part of a trend in mobile advertising. Passengers of one of London's train stations could suddenly receive a text message, asking if they wanted to watch an interview with the band Coldplay. This new London billboards campaign had a hit rate of fifteen percent making it a huge success.

One of the UK's most established companies for outstanding billboards advertising cooperated with a small firm specializing in transmitter technology. It resulted in a Bluetooth-driven ad campaign. Equipping a number of London billboards in train stations and Heathrow airport with special transmitters was the main task for Filter UK. Due to these transmitters, text messages, asking if a recipient would like to watch a video clip on their phone, were beamed to the phones of people walking by. Those users, who accepted, received a video clip or some other multimedia advertisements. The transmission is enabled by the Bluetooth, a technology allowing different types of electronic equipment to communicate within a range of one hundred meters.

The Wall Street Journal claims that the London billboards campaign was a huge success. It reached twenty three thousand people in two weeks. Filter UK asks recipients for their permission before sending any material. In this way the company tries to distance themselves from those providing spam. People, who wanted to receive advertisement from Filter UK, were reached by this company. Those that declined a particular ad were not offered any further ads in the series.

A similar experience is going to be practiced for visitors to Ericsson's pavilion at one of the Volvo Ocean Race stopovers. Ericsson teams up with German-based Blue Cell Networks. Together they will provide multi-media content to the pavilion visitors with Bluetooth enabled telephones. Such content as ringtones, images and videos will be provided by Ericsson. Blue Cell will provide its beamzone. Due to the Beamzone's hotspot system, pre-defined digital content can be sent automatically out to all compatible Bluetooth handsets. Handsets within a vicinity of thirty - one hundred meters can be reached by this permission based system.

Mobile advertising gives the enormous potential for operators. With different forms of mobile advertising, they can generate a supplemental revenue. Businesses also benefit from mobile advertising - they can communicate to their market in new and more effective ways. The example of Filter UK proves that advertising using billboards and the Bluetooth can be a perfect way for reaching consumers.

### **Balloon advertising does work!**

The outdoor-advertising market has experienced an explosion in recent years due to the fact that graphics are bigger, cheaper and can be produced more quickly. While billboards continue to hold strong in the outdoor industry, the out-of-home sector keeps on growing and expanding. With the advertising changing more often, the money-making potential of tapping into this market is vast. This article will show the advantages of advertising balloons as one of the most effective marketing tools.

The first goal any marketing tool has to achieve is informing people about the company, its products or services in the shortest possible period of time and in the most cost-effective way. One of the most effective mediums to reach this goal is balloon advertising. This premium marketing tool has the high and vast visibility, which helps increase the brand recognition and increases the company's sales.

Using balloons as a means of advertising, you do not have to bother getting attention from the media clutter in print or television. Balloon advertising is the best for informing people about your company, products or services during special promotions, trade shows, exhibitions, sales activities, conventions, etc. They are also interchangeable, when starting new product launches.

Parade balloons offer a set of advantages:

- ✚ · generating some crowd excitement. Every person, who sees your parade balloon will pay attention to it and surely remember your company.
- ✚ · amazing your sponsor. A 30-60' long balloon can reflect not only your company's products or services, but its character!
- ✚ · free quotes. If you know what your advertising balloons should include, it is great. If you do not, it is OK, all you need is to select an advertising company that will design and create a parade balloon that will best suit the occasion.
- ✚ · Longevity.

If you have decided to use balloon advertising to tell people about your products, remember some important things listed below. People who want to sell more products in small shops or in markets from 70 - 110 square meters use advertising balloons to attract more customers. Renting a cheap space is very important and to look for a lot of outdoor space in front of the shops as well. First, you have to enable people to find your shop easily and, second, you need some free space to place Inflatables, tents and jump houses. However, first of all, you have to get in touch with the local government to discuss what is possible to do.

Positioned properly, advertising balloons can even act as location finders due to their high visibility over long distances. Placed high in the sky and with no other rivals to vie for attention, your company's image will surely attract the people's attention even when they are doing their business.

They say "When the balloon goes up, so do the sales", that is the reason why balloon advertising is the most effective way of increasing sales and attracting potential customers, whether to show off a new store or to announce a new sale or promote a big event. Modern advertising balloons, advertising blimps and advertising inflatables are giant flying billboards. Your message 120ft. in the air on a giant advertising balloon or advertising blimp will surely grab the people's attention.

## Guide

### ☺ COMPREHENSION

#### I. Answer the questions.

1. What advertising media are enjoying wide popularity nowadays?
2. What modern technologies enable producers to hold customer's attention?
3. Can advertising messages be considered spam?
4. Why is outdoor-advertising becoming one of the most effective types of promotion?
5. What are the pluses of using inflatables as an advertising medium?

#### II. Explain the meaning of the following.

To hold strong in an industry, to tap into this market, media clutter, brand recognition, cost-effective, ads in the series, out-of-home sector.

### ☺ WORD STUDY

#### I. Put each of the following words into sentences below.

media clutter	enormous	expand	grabbing	customer	longevity
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1. The launch of this model was crowned with ... success.
2. Bad sales promotion campaigns could cost you money and lose ... goodwill.



3. He knew the technique of ... an audience and it never let him down.
4. The phenomenon of ... will become even more pronounced in the 21st century and all countries will experience some change in their age structure.
5. Think Inc creates ideas cutting through the ... - often using humour to create interest and excitement where none existed.
6. The director plans to ... the firm into an international company, that's why he's looking for reliable partners worldwide.

**II. Translate the sentences from Russian into English using the words and word expressions from the text.**

1. В настоящее время два авторитетные PR агентства решили объединиться для более успешной работы на рынке.
2. С помощью необычной рекламной кампании им удалось не только похвастать обновленным ассортиментом, но и привлечь новых покупателей.
3. Я думаю, что мы сможем получать дополнительный доход, используя достижения в области развития мобильных систем. Например, было бы неплохо позаимствовать опыт конкурентов, которые широко используют передачу рассылок посредством технологии Bluetooth.
4. Реклама, распространяемая посредством мобильной связи, обладает огромным потенциалом как для мобильных операторов, так и для частных компаний, которые могут получать прибыль, информируя потенциальных покупателей о новых товарах и услугах на рынке.
5. Дабы дистанцировать себя от компаний, распространяющих спам, руководством было принято решение отправлять получателям текстовые сообщения с запросом о разрешении распространения рассылок.

☺ **FOLLOW-UP ACTIVITY**

**You work for an advertising agency and are given the task to promote some new products/ services launched to the market. You have an impressive ad budget at your disposal and can afford to make an effective advertising campaign. Choose any product or service and prepare a memorable promotion campaign.**

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## British Airways to sell advertising space on boarding cards

In a money-raising move worthy of Ryanair, British Airways is to start putting advertising from other companies on its boarding passes.

The loss-making airline will also host adverts on its website — the present one is for Jaguar's new XJ car.

The airline said that it issued more than 12 million boarding passes last year and has 500,000 daily visitors to its website, which would give it plenty of opportunity to raise extra revenue from third-party advertising.

BA said that ads on boarding passes would appear from the start of October and could be tailored to the passenger and location.

Abigail Comber, the airline's manager for brand, proposition and insight, said: "We hope it will be a positive revenue stream for BA."

BA lost £401 million last year because of a collapse in its premium traffic due to the recession. It is trying to cut costs by reducing headcount and also encouraged employees to work for free.

Last month, it announced that it would stop serving meals other than breakfast in economy class during flights of less than two and a half hours. Passengers will instead be offered snacks such as pretzels, although the complimentary bar service will remain. The move has led to accusations that BA was following the budget airlines towards a minimal service model.

BA's decision to put ads on its boarding passes and website also copies the no-frills carriers, although BA insists that its advertisers will have a "strong heritage".

Ryanair, Europe's largest budget carrier, has a reputation for finding ingenious ways to raise money and has even considered charging for using the toilets on its aircraft.

Ms Comber said: "It's a great way for our customers to be brought messages on products and services that are relevant to them. We're seeking brands with a strong heritage and parity to British Airways' own brand values. Our customers would expect us to bring them brands that they trust and respect."

Full-service carriers like BA have been forced to find ways to replace revenues lost from falling passenger numbers. In the US, many carriers have started charging for checked baggage - another policy favoured by budget airlines.

As part of BA's cost-cutting strategy, it is seeking to axe 3,400 jobs from its cabin and ground crew. It also wants to cut pay, allowances and impose new working conditions.

The company is expected to restart negotiations with unions next week after the two sides failed to agree terms last month.

**David Robertson**

### Guide

#### ☺ COMPREHENSION

##### I. Work in pairs. Do you think the following statements are true or false?

1. British Airways is about to launch new spot ads.
2. British Airways aims at gaining bigger profit.
3. British Airways' cost-cutting strategy leads to significant staff cutbacks.
4. Ryanair is noted for being an expert in raising money.
5. All the passengers of BA get boarding passes with the same ads.
6. Any company may co-operate with BA and put their ads on British Airways' boarding passes.
7. BA is a pioneer in charging for additional services.

☺ **WORD STUDY**

**I. Match the word with its definition.**

1. tailor	a. equality of rank, pay, etc
2. allowance	b. a portion set aside to compensate for something or to cover special expenses
3. terms	c. to adapt so as to make suitable for something specific
4. complimentary	d. conditions of an agreement
5. parity	e. given free, esp. as a courtesy or for publicity purposes
6. no-frills	f. without any modern conveniences

**II. Fill in the gaps with the words or word combinations from the box below.**

Imposed	headcount	accusation	charge	axe	ingenious
---------	-----------	------------	--------	-----	-----------

1. The survey showed that an average ... of staff was 1,000 people.
2. She was surprised that he had no words of ... for her as they had had strained relations.
3. It was ... of her to solve the problem so quickly. She's been a real asset for our company.
4. They ... us thirty dollars for it. I think it's a normal fee for this kind of job.
5. Don't you know that a special tax is ... on very high incomes?
6. Government is likely to apply the ... to public expenditure in order to overcome the recession.

**III. Insert the right preposition in the sentences below.**

1. He advertised ... a used car.
2. Professor's report was tailored ... an audience of businessmen.
3. We managed to reduce our costs ... finding a cheaper supplier.
4. Their company was following the budget airlines ... a minimal service model.
5. I think it was reasonable to start charging ... this kind of service.

**IV. Translate from Russian into English.**

1. "British Airways" - терпящая убытки в виду финансового кризиса, решила размещать рекламные объявления на посадочных талонах. По мнению руководства компании, это поможет получить дополнительную прибыль.
2. Рекламные объявления на посадочных талонах предусмотрительно адаптированы для каждой категории пассажиров.
3. Одними из мер борьбы за режим экономии для компании стали уменьшение общего числа персонала, а также стимулирование сотрудников работать бесплатно.
4. Предпринятые руководством шаги по снижению затрат привели к обвинениям в том, что British Airways следует примеру малобюджетных авиакомпаний, предоставляющих минимальную модель обслуживания.
5. Ожидается, что представители руководства и профсоюзов вновь сядут за стол переговоров, чтобы прийти к компромиссу в вопросах сокращения штата сотрудников, выплат денежных пособий и установления новых условий работы.

## ☺ FOLLOW-UP ACTIVITY

### Cadbury Schweppes to sell its drinks business

Cadbury Schweppes is selling off all its drinks business, apart from its brands in the US. Its share price increased by nearly 6% to 988 p, an increase of 541.5 p. It is selling its soft drinks brands to Coca-Cola for \$1.85 billion.

#### **Work in pairs and discuss.**

1. Why do you think Cadbury is selling its soft drinks? How will this make the company stronger?
2. When they announced the news, do you think people wanted to buy shares? Why? What effect did this have on the share price?
3. Why do you think Coca-Cola wanted to buy the brands? How will this make the company stronger?
4. Do you think the sale price is good?



## How effective Management contributes in Marketing?

May 2009 - William King

Marketing a business is one of the key operations of any organization these days. However, such an operation needs careful planning, which is why management of a business goes hand in hand with the decisions taken to market the business. For such planning of a marketing regime, managers and business owners need to have a clear idea of the aims and objectives of their business and organization. They need to understand clearly the market conditions in which their business operates.

The fast evolving manager roles are rapidly leaving behind the traditional marketing practices in terms of theory as well as practice. Early businesses were seen conducting their research and emphasizing on what were known as the three Cs of marketing, that is, Customer, Company and Competitor. However, further analysis has given way to the inclusion of two more Cs. These are Collaborator and industry Context. All these areas are carefully researched on and important decisions are taken in each of these fields to bear an overall result of effective marketing.

Let us look at each of these individually:

**Customer:** analyzing the customer behavior is one of the most important functions of management and marketing. Managers first seek to find out their niche customer base. After having identified that they try and break them up into manageable segments. This segmentation of the target customers can be done on the basis of demography, behavior, age grouping, etc. marketers then aim at tracking the purchase and consumption patterns of these segments, as a group or individually, in order to help them develop and improvise on their product better. This is known as perceptual mapping.

**Company:** under this aspect of marketing management, managers analyze the cost structure of the company and what bearing it has and the profit of the organization. For this they may also work in tandem with the finance or accounts managers. Managers also seek to delve deep into the inherent competency of the organization based on the kind of resources it possesses, and find out whether its potential is being exploited to the optimum level or not.

**Collaborator:** the collaborators form an important aspect of the business and the analysis of related activities forms a major chunk of marketing management activities. Distributor and supplier behavior, that of the joint venture partners, etc is thoroughly observed and analyzed.

**Competitor:** this analysis deals with comparing the position of the business in relation to its market competitors. The activities of the competitors are observed to see which policies are exactly having what effect on the market and the customers.

**Context:** this involves having a clear idea of the conditions in which the business operates. The economics of how the business functions within the framework of the larger industry is analyzed. Both macro and micro pictures are taken into consideration. For each of the above marketing management functions, a lot of data need to be collected, processed and analyzed. Tapping the right data out of the existing market conditions is yet another challenge. Market managers generally look to collect data related to the various segments mentioned above.

### Guide

#### ☺ VOCABULARY FOCUS

##### I. Match the English and Russian equivalents.

evolving  
inclusion  
overall  
seek  
perceptual  
bearing

полный, общий  
структура, строение  
относящийся к восприятию  
данные, информация  
вызов  
развивающийся

challenge  
data  
collaborator  
inherent  
framework

разыскивать, пытаться найти  
обязательно присутщий, неотъемлемый  
включение  
значение, смысл  
соавтор

**II. Match two columns to make word-combinations.**

marketing	venture
conduct	result
customer	regime
manageable	mapping
consumption	competency
perceptual	conditions
inherent	patterns
joint	marketing
market	segments
overall	customers
effective	research
target	behaviour

**III. The following words are in the text. Use your dictionary to find the other parts of speech.**

NOUN	VERB	ADJECTIVE
management		
		marketing
	improvise	
decision		
		perceptual
organization		
	bear	
		inherent
competency		
	relate	
profit		
		existing

☺ **COMPREHENSION**

**I. Work in pairs and answer the questions below.**

1. What do managers and business owners need for planning of a marketing regime?
2. What are the five Cs of marketing?
3. What is one of the most important functions of management and marketing?
4. On what bases can the segmentation of the target customers be done?
5. What is known as perceptual mapping?
6. Why do managers seek to delve deep into the inherent competency of the organization based on the kind of resources it possesses?
7. What is thoroughly observed and analyzed?
8. What is the purpose of observing the activities of the competitors?
9. What is another challenge for market managers?

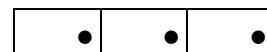
## II. Complete the sentences according to the text.

1. Managers and business owners need to understand clearly the market c..... in which their business o.....
2. The fast e..... manager roles are rapidly leaving behind the traditional marketing p..... in terms of theory as well as practice.
3. Early businesses were seen conducting their research and emphasizing on what were known as the three Cs of marketing, that is, C....., C..... and C..... However, further analysis has given way to the inclusion of two more Cs. These are C..... and industry C.....
4. Managers first seek to find out their n..... customer base. After having identified that they try and break them up into manageable s.....
5. Managers also seek to delve deep into the inherent c..... of the organization based on the kind of resources it possesses, and find out whether its p..... is being exploited to the optimum level or not.
6. The c..... form an important aspect of the business and the a..... of related activities forms a major chunk of marketing management activities. D..... and supplier behavior, that of the joint v..... partners, etc is thoroughly observed and analyzed.
7. The activities of the c.....s are observed to see which policies are exactly having what effect on the market and the c.....s.
8. For each of the above marketing management functions, a lot of data need to be c.....d, p.....d and analyzed. Tapping the right data out of the existing market conditions is yet another c..... Market managers generally look to collect d..... related to the various segments mentioned above.

## III. Translate the sentences from Russian into English.

1. Менеджерам необходимо отчетливо понимать условия рынка, в которых функционирует их бизнес.
2. Анализ поведения покупателей является одной из наиболее важных функций для маркетинга.
3. Разделение на сегменты целевых покупателей производится на основе демографических данных, возрастных групп и поведения.
4. Менеджеры тщательно изучают, используется ли потенциал компании на оптимальном уровне.
5. Поведение распространителей и поставщиков тщательно исследуется и анализируется.
6. Деятельность конкурентов также исследуется для того чтобы определить, какой эффект они оказывают на рынок и на покупателей.
7. Необходимо проанализировать экономику, в условиях которой будет существовать эта промышленность.

**IV. Role play the following situation: you are an experienced manager of a prosperous organization. You were invited to deliver the lecture for the students who are going to graduate from the University and get a profession of a manager next year. The topic of your report is “How effective management contributes in marketing”. Use the information of the text and other information resources for this task.**



## The global business environment and the risks of trade protectionism

### ☺ PRE-READING TASK

**What do you know about G20, WTO, NAFTA, EU, OECD, GATT?**

**What is protectionism? Why do so many countries oppose it?**

**What barriers to free trade can you think of?**

Protectionism appears to be on the rise, sounding alarm bells around the world for proponents of free trade. A significant and sustained increase in global trade barriers is unlikely, but the recent spate of protectionist measures introduced by many governments to support their domestic industrial and financial sectors carries a definite risk that should not be ignored. Policymakers will continue to face pressures to protect domestic employment as the global economy contracts. If serious protectionism were to take hold, the consequences for the global economy would be dire.

#### *Protectionism is on the rise*

The world trade environment has worsened significantly over the past six months. According to the World Bank, since the G20 leaders signed a pledge in November 2008 to avoid protectionist measures, several countries, including 17 of the G20, have implemented a total of 47 measures that restrict trade (as of end-March 2009). Another 78 protectionist measures have been proposed, but have not been implemented—at least until now. The World Trade Organisation (WTO) has also noted a "significant slippage" globally towards trade protectionism. Since the start of 2009, increases in tariffs, the introduction of new non-tariff barriers and anti-dumping actions have increased considerably, as governments have reacted to the rapid descent into global recession. In addition, some of the financial rescue and fiscal stimulus packages adopted by governments contain elements such as state aids, subsidies and purchase requirements favouring domestic goods and services over imports. The WTO identifies 85 measures that can be considered to be protectionist, imposed by 23 countries between September 2008 and March 2009.

Business certainly seems to expect or be braced for more protectionist policies from governments. A recent Economist Intelligence Unit survey of 418 global executives showed that an astonishing 87% of respondents believed that protectionism would increase, although fewer than 30% seemed completely convinced, and the question did not specify the expected severity of the retreat from globalisation. In the sample, 28% "agreed strongly" and 59% "agreed slightly" with the statement, "On balance, the current downturn will lead to more protectionism by government."

Recent examples of protectionism include Russia raising tariffs on used car imports and Ecuador raising tariffs on more than 600 items. Non-tariff measures include such policies as Argentina's imposition of new licensing requirements on automotive parts, textiles, TVs, toys, shoes and leather goods, or Indonesia's requirement that transport of five categories of goods (including garments, footwear, toys, electronics, food and beverages) be permitted in only five ports and airports.

Worldwide, increases in tariffs that directly contravene WTO rules remain rare. Governments today are much less likely to resort to increases in tariffs than in the 1970s, and certainly less so than during the Great Depression in the 1930s, when unilateral hikes in tariffs contributed to a two-thirds decline in world trade. Currently, almost three-quarters of all trade occurs within customs unions or free-trade areas, such as the North America Free Trade Agreement (NAFTA) or the EU, or between OECD countries. Within these areas, trade occurs either entirely without tariffs, or according to WTO rules. In other words, for almost 75% of all global trade, tariff increases could only take place in violation of rules and regulations, with a strong risk of incurring fines or punitive sanctions. Nevertheless, that still leaves 25% for which the risk of rising tariffs remains significantly real. However, even for non-tariff or low-tariff areas, the risk of non-tariff protection remains a potential threat.

Outside of these low- or non-tariff areas, the risk of seeing a renewed increase in tariffs is high. In recent years, many emerging markets have in fact unilaterally reduced their tariffs further than they were bound to



under the GATT agreement (the Uruguay round). These countries can freely raise their tariffs to these bounds, and some countries, such as Turkey and India, have already done so. An estimate by the European Commission assesses that the total loss to global trade from such measures could reach €400bn (US\$530bn). To date, most countries have not yet raised tariffs to bound levels or taken full advantage of headroom on agricultural subsidies. However, as the recession deepens, many countries may be tempted. This threat underscores the importance of pushing forward with a rapid conclusion of the Doha round.

The main threat to global trade is likely to arise from non-tariff barriers. Examples abound. This includes the massive subsidies earmarked for the automotive industry in developed countries. According to Deutsche Bank, subsidies worth US\$43bn have already been allocated worldwide. The US administration has transferred more than US\$17bn to US car manufacturers, and governments in Japan, France, the UK, Sweden and Brazil have spent US\$20bn in direct aid to their automotive industries.

The recent controversy over the original "Buy American" provision included in the US's wide-ranging fiscal stimulus package—a requirement for US firms to use domestic steel and manufacturing products in projects funded by the stimulus bill—highlighted the political pressures now in play. The clause has since been substantially watered down following criticism from the EU, Japan and Canada (among others), and after some of the US's main trading partners made implicit threats of retaliatory action.

#### *Trends in the EU*

A commitment to free trade, certainly among its members, remains one of the main pillars of the EU. However, although it has not broken any WTO rules yet, the EU has resorted to some protectionist measures. It has reintroduced customs duties on imports of certain cereals (the duties had been suspended in January 2008, when commodity prices were soaring). It has also reintroduced export subsidies for butter, cheese, and whole and skimmed milk powder. This is particularly serious given the decision in principle by WTO members to eliminate export subsidies for agricultural exports if and when the Doha round of trade liberalisation talks is concluded. Such subsidies drive down prices for producers in developing-country markets (which are usually able to produce at costs below those of the West), where governments do not have the means to subsidise their farmers.

The EU has initiated a number of new anti-dumping investigations since the middle of 2008 and imposed new duty orders (duties imposed on imports following an investigation that shows that dumping is taking place) stemming from earlier investigations. Anti-dumping duties are a means of protecting a market from unfair practices of foreign producers, such as below-cost selling. That said, given the inherent difficulty in determining whether an item produced in another jurisdiction is being sold at below cost, resorting to this mechanism with increasing frequency amounts to protectionism.

A significant threat is now also emerging to the EU's own internal market. Statements earlier this year by both the French president, Nicolas Sarkozy, and Peer Steinbrück, the German finance minister, suggested that their governments would extend state aid to their respective country's automotive sectors in a way that would discriminate against foreign producers. However, so far there have been no moves in the EU to undermine the customs union established in the 1960s nor to reimpose non-tariff barriers on goods, which were eliminated over the period 1986-92. But a genuine internal market requires a level playing field in which competition rules are upheld, and one of the key aspects of competition policy is to ensure that state aid does not significantly distort competition.

May 19th 2009

*From The Economist*

## **Guide**

### ☺ **COMPREHENSION**

#### **I. Work in pairs. Do you think the following statements are true or false?**

1. Even serious protectionism is unlikely to constitute a menace to the world economy.
2. The introduction of new non-tariff barriers has increased considerably.
3. Current recession in trade will lead to less protectionism by government.

4. In contrast to Russia, many countries are still trying to avoid introducing non-tariff barriers and duties.
5. Policymakers have to admit that increases in tariffs that directly contravene WTO rules are becoming common.
6. It is not economically sound for the global market but legal for some countries to raise tariffs to bound levels as they unilaterally reduced their tariffs further than they were bound to under the GATT agreement.
7. Developed countries demonstrate contempt for those markets where non-tariff barriers are introduced.
8. The EU has not resorted to any protectionist measures yet.
9. The investigations initiated to reveal below-cost selling present many difficulties.

## II. Explain the following.

1. to take hold
2. non-tariff barriers
3. anti-dumping actions
4. below-cost selling
5. to reintroduce customs duties
6. to raise tariffs to bound levels
7. subsidies
8. retaliatory action

## ☺ WORD STUDY

### I. Fill in the blanks with the words from the box in their right forms.

discriminating	elimination	soaring	commitment	controversy	allocation
----------------	-------------	---------	------------	-------------	------------

1. This notorious bill was read a second time, and ... .
2. We must ... these export subsidies from our legal system if we still intend to enter this customs union.
3. Oil prices ... to a new record because of growing economic instability.
4. Our committee ... some money from the surplus fund to assist the undertaking.
5. Surprisingly he was on my side while discussing this ... issue.
6. The Commission for Racial Equality teaches organisations not to ... .

### II. Look through the row of synonyms and exclude the odd one out.

1. to distort, to convey, to disfigure, to bend;
2. to succor, to aid, to let down, to assist;
3. defilement, desecration, violation, subjection;
4. outflow, spate, series, flood.

### III. Join the words to make word-combinations.

- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. undermine</li> <li>2. implicit</li> <li>3. duty</li> <li>4. initiate</li> <li>5. underscore</li> <li>6. direct</li> </ol> | <ol style="list-style-type: none"> <li>a) the customs union</li> <li>b) the importance</li> <li>c) investigations</li> <li>d) aid</li> <li>e) on imports</li> <li>f) threats</li> </ol> |
|---|---|

#### **IV. Translate from Russian into English.**

1. Нельзя игнорировать тот факт, что количество протекционистских мер, принимаемых во многих странах для поддержки национальных производителей, может представлять серьезную угрозу мировой торговле.
2. Согласно договору, подписанному в 2003 году, участники обязуются выполнять обязательства по недопущению каких-либо мер, ограничивающих свободную торговлю.
3. Они понимали, что подобные поправки в законодательстве будут напрямую противоречить правилам ВТО.
4. Даже высокоразвитые страны иногда вынуждены прибегать к протекционистским мерам, таким как субсидирование национальных предприятий, увеличение тарифов и пошлин на импортируемую продукцию, ограничение импорта.
5. Правительство решило пересмотреть действующие таможенные пошлины, т.к. их размер не менялся уже несколько лет из-за стабильно высоких цен на потребительские товары.



## **Fare well, free trade**

### **With the global economy facing its worst recession in decades, protectionism is a growing risk**

THIS Christmas the world economy offers few reasons for good cheer. As credit contracts and asset prices plunge, demand across the globe is shrivelling. Rich countries collectively face the severest recession since the second world war: this week's cut in the target for the federal funds rate to between zero and 0.25% shows how fearful America's policymakers are. And conditions are deteriorating fast too in emerging economies, which have been whacked by tumbling exports and the drying-up of foreign finance.

This news is bad enough in itself; but it also poses the biggest threat to open markets in the modern era of globalisation. For the first time in more than a generation, two of the engines of global integration—trade and capital flows—are simultaneously shifting into reverse. The World Bank says that net private capital flows to emerging economies in 2009 are likely to be only half the record \$1 trillion of 2007, while global trade volumes will shrink for the first time since 1982.

This twin shift will force wrenching adjustments. Countries that have relied on exports to drive growth, from China to Germany, will slump unless they can boost domestic demand quickly. The flight of private capital means emerging economies with current-account deficits face a drought of financing as well as export earnings. There is a risk that in their discomfort governments turn to an old, but false, friend: protectionism. Integration has less appeal when pain rather than prosperity is ricocheting across borders. It will be tempting to prop up domestic jobs and incomes by diverting demand from abroad with export subsidies, tariffs and cheaper currencies.

The lessons of history, though, are clear. The economic isolationism of the 1930s, epitomised by America's Smoot-Hawley tariff, cruelly intensified the Depression. To be sure, the World Trade Organisation (WTO) and its multilateral trading rules are a bulwark against protection on that scale. But today's globalised economy, with far-flung supply chains and just-in-time delivery, could be disrupted by policies much less dramatic than the Smoot-Hawley act. A modest shift away from openness—well within the WTO's rules—would be enough to turn the recession of 2009 much nastier. Incremental protection of that sort is, alas, all too plausible.

### **Fair-weather free-traders**

In many countries politicians' fealty to open markets is already more rhetorical than real. In November the leaders of the G20 group of big rich and emerging economies promised to eschew any new trade barriers for a year and to work hard for agreement on the Doha round of trade talks by the end of December. Within days, two of the G20 countries, Russia and India, raised tariffs on cars and steel respectively. And the year is ending with no Doha breakthrough in sight.

As economies weaken, popular skepticism of open markets will surely grow. Among rich countries, that danger is greatest in America, where grumbles were heard long before recession set in. The new Congress, with bigger Democratic majorities, has a decidedly less trade-friendly hue. Barack Obama's campaign rhetoric left an impression of a man in two minds about trade, which he has since done nothing to dispel.

Now that their exports are faltering, emerging economies too may become less keen on trade. The WTO's rules allow them plenty of scope: after two decades of unilateral tariff-cutting most of their tariffs are well below their "bound" rates, the ceilings agreed in the trade club. On average they could triple their import levies without breaking the rules.

### **Handouts to the ready**

Politicians from Washington to Beijing are being pressed to help troubled industries, regardless of the consequences for trade. A bail-out of Detroit's carmakers, whatever its final extent, will be a discriminatory subsidy. As China's exporters go bust by the thousand, industries from textiles to steel have been promised handouts and rebates. Subsidies will beget more subsidies: Nicolas Sarkozy, France's president, says that Europe will turn into an "industrial wasteland" if it too does not prop up its manufacturers. They will also invite

retaliation. With China's bilateral trade surplus at a record high even as America's economy slumps, Congress will not take kindly to Beijing's bolstering of its exporters.

Exchange-rate movements could also prompt protectionist responses. Chinese officials have said publicly that they will not push down the Yuan, and their currency has risen in trade-weighted terms. However, it did slip against the dollar in late November. Viewed from America, China still seems to be following a cheap-Yuan policy. A Sino-American trade spat is all too plausible.

Add all this together and it is hard for a free-trader not to worry. So what is to be done? The first requirement is political leadership, especially from America and China. At a minimum, both must avoid beggar-thy-neighbour policies. Second, a conclusion of the Doha round would help. A deal would reduce the risk of broader backsliding by cutting many countries' bound tariffs—and it would establish Mr. Obama's multilateral credentials. Third—Doha deal or not—is greater transparency. A good recent idea is that the WTO publicise any new barriers, whether or not they are allowed by its rules.

The best insurance against protectionism, however, is macroeconomic stimulus. Boosting demand at home will reduce the temptation to divert it from abroad. By historical standards policymakers are acting aggressively, as the Federal Reserve did this week. But the effort is unevenly, and poorly, distributed. Emerging economies from which capital is fleeing have little room to boost spending. Some creditor countries (notably Germany) are holding back on fiscal stimulus, while the world's biggest borrower (America) is acting the most boldly. A bigger push to boost domestic demand in creditor countries coupled with more help, through the IMF, to cushion cash-strapped emerging economies would ease the world economy's adjustment and brighten the prospects for free trade. In the 1930s protectionism flourished largely because of macroeconomic failures. That must not happen this time.

Dec 18th 2008

From *The Economist* print edition

## Guide

### ☺ WORD STUDY

#### I. Match the word with its definition.

shrivel	to go down by a large amount
plunge	very tired
deteriorate	to suddenly go down in price, value, or number
whacked	to become smaller
tumble	a disapproving word for beliefs or actions that are based on the political principal that your country should not be involved in the affairs of other countries
adjustment	involving the governments of several different countries
slump	increasing
prop	reasonable and likely to be true
isolationism	to stop someone believing or feeling something, especially because it is wrong or harmful
multilateral	to become worse; to develop into a bad or unpleasant situation
bulwark	to support something, to prevent something from falling
incremental	to deliberately avoid doing something, usually for moral, religious, or practical reasons
plausible	to go down suddenly and by a large amount
eschew	a change that someone makes to the way they behave or think; a small change made to something
dispel	something that protects you from an unpleasant situation
falter	an additional sum of money usually paid as a tax
unilateral	money or goods that are given to someone, for example because they are poor

levy	done by only one of the groups involved in the situation
handout	to become weaker and unable to continue in an effective way
retaliation	not having enough money
credentials	the things that show people you have the ability to do something, are suitable for something etc, such as your education, experience, and achievements
cash-strapped	action against someone who has done something bad to you

**II. Complete the sentences with the words from the box using the right form where necessary.**

<b>handout</b>	<b>credentials</b>	<b>retaliation</b>	<b>faltering</b>	<b>plausible</b>
	<b>unilateral</b>	<b>slump</b>	<b>tumble</b>	

1. The economy is showing signs of .....
2. They heard in the news about a ..... declaration of independence.
3. They only want a helping hand from the government, not a .....
4. Union leaders are threatening strike action in ..... for the recent pay cuts.
5. He spent the first hour trying to establish his ..... as a financial expert.
6. His explanation sounds fairly ..... to me.
7. Sales ..... by 20 % last year.
8. Stock market prices have ..... over the past week.

**III. Match two columns to make word-combinations.**

credit	industries
asset	leadership
foreign	credentials
global	policies
economic	prices
multilateral	subsidy
incremental	integration
troubled	contracts
discriminatory	trading rules
political	isolationism
beggar-thy-neighbour	finance
multilateral	protection

**IV. The following words are in the text. Use your dictionary to find the other parts of speech.**

<b>NOUN</b>	<b>VERB</b>	<b>ADJECTIVE</b>
economy		
		global
	deteriorate	
cheer		
		troubled
	press	
manufacturer		
	flourish	
borrower		
		emerging
temptation		

## ☺ COMPREHENSION

### **I. Work in pairs. Do you think the following statements are true or false?**

1. Credit contracts and asset prices plunge and demand across the globe is increasing.
2. There is the biggest threat to open markets nowadays.
3. Countries that have relied on imports to drive growth, from China to Germany, will slump unless they can boost domestic demand quickly.
4. It will be tempting to support domestic jobs and incomes by diverting demand from abroad with export subsidies, tariffs and cheaper currencies.
5. In many countries politicians' fealty to open markets is real.
6. As economies weaken, popular optimism of open markets will surely grow.
7. Politicians from Washington to Beijing are being pressed to help troubled industries.
8. Exchange-rate movements could also prompt protectionist responses.
9. The best insurance against protectionism is macroeconomic stimulus.

### **II. Answer the questions below.**

1. When and why did rich countries start feeling severest recession?
2. What does the flight of private capital mean?
3. What are the lessons of history mentioned in the text?
4. Why are politicians from Washington to Beijing being pressed to help troubled industries

### **III. Give a short summary of the text.**



## Inventors who lost the race to the patent office

### ☺ PRE-READING TASK

#### How can an inventor protect their inventions from numerous rivals and imitators?

Had Elisha Gray only chosen a faster horse, many of us today might be paying our phone bills to the Gray Company instead of Pacific Bell. And had Jacob Davis been only a little wealthier, it could have been his name sewn onto the pockets of America's favorite jeans rather than that of his financier, Levi Strauss.

It's an old and familiar story: The inventors with the brightest ideas somehow wind up with nothing. Why? Because they signed away the rights to their invention before realizing its true value. Or worse, they knew the value of their invention but lost in their race to the patent office—in some cases by just a few days or even hours. Take for example, the most famous of all patent races.

**If you have bright idea—even one without obvious commercial value—don't wait for someone else to figure it out and cash in first.**

#### Great Minds Think Alike

On February 14, 1876, Alexander Graham Bell applied for a patent on an apparatus that could transmit speech electrically, beating out his rival, Elisha Gray, by just two hours. Never mind that Gray's design worked better. Timing was all that mattered. When Gray later filed a lawsuit, the courts awarded the patent to Bell, who went down in history as the official inventor of the telephone.

#### It's All in the Jeans

As many inventors know, a good idea is nothing if you can't prove you own it. Take the case of Jacob Davis, the Nevada tailor who invented an early prototype for blue jeans. His novel idea was to place metal rivets on his jeans (at each point of strain) to increase their durability. Davis was sure this small but significant innovation would sew up the pants market. Unfortunately, he didn't have the money to file for a patent so Davis persuaded Levi Strauss, the owner of a San Francisco dry goods store, to pay for the patent application. The patent was granted in 1873, but today Jacob Davis is a mere footnote in the story of America's favorite fashion staple.

#### A Truly Bright Idea

For every inventor who lost out in the patent race, there are two more who sold their ideas a little too soon. Take Henry Woodward and Matthew Evans, early inventors of the light bulb. In 1875 they sold their "bright idea" to Thomas Edison who refined their design and premiered it to a delighted public four years later. The fame and fortune Edison acquired from the light bulb grew into the Edison General Electric Company, which eventually evolved into General Electric.

#### Not So Silly Putty

Ironically, General Electric later sold itself short on one hugely profitable patent, proving that even corporate giants sometimes have trouble seeing the big picture. In 1949, General Electric sold the production rights for "Nutty Putty" to Peter Hodgson for \$147. The original inventor was James Wright of General Electric Labs who was working on a government contract to create a substitute for synthetic rubber. Wright dropped boric acid into silicone oil and found the resulting putty would stretch, bounce, and copy print. GE shared this putty with scientists worldwide, but none could see any greater potential. Peter Hodgson was unemployed when he bought the putty rights. Hodgson promptly renamed his purchase "Silly Putty" and marketed it as a children's toy. He died in 1976 with an estate worth \$140 million.



## Working Out the Kinks in the System

Of course, not all inventors lose out because of poor timing, shortsightedness or poverty. Sometimes the Patent process itself is to blame. Eli Whitney's cotton gin was one of the first inventions to be patented under the new U.S. patent system. This meant his invention was also one of the first to test the new patent laws. Whitney filed his patent in 1794, but unfortunately it wasn't upheld until 1807, during which time a flood of imitation cotton gins hit the market. The state of South Carolina finally offered Whitney \$50,000 for the patent rights to his cotton gin.

## So What's a Modern Inventor to Do?

If you have bright idea—even one without obvious commercial value—don't wait for someone else to figure it out and cash in first. The United States Government offers a new, low-cost solution for inventors called a Provisional Patent Application, or PPA.

So what does a PPA do exactly? A Provisional Patent Application secures an immediate *priority filing date* for your invention. In other words, it allows you to go on record as the first person to officially lay claim to your invention. Securing a priority filing date is critical because as far as the government is concerned, it's not who came up with the idea first that matters; it's who secured the rights.

Apart from speed, the main advantage of filing a PPA is that it's easier and a lot cheaper to file than a full patent application. This doesn't mean, however, you can get out of filing a standard patent application altogether. A PPA simply buys you an additional 12 months to get the materials and funds together to file a full patent. Think of it as a legal placeholder. A PPA makes sure no one else rushes in and claims your invention while you're busy fine-tuning your design, securing funds, or testing your idea's market potential. With a PPA you also have a legal right to the term, "patent pending," which can be helpful in warding off any would-be imitators.

Whether you file a PPA or full patent, take a lesson from history and protect your ideas as soon as possible. Because you never know if that little project you've been tinkering on down in the basement could turn out to be the next big thing.

Susan Funaro

## Guide

### ☺ COMPREHENSION

#### I. Answer the questions below.

1. Whose name went down in history as the official inventor of the telephone? Why?
2. Why did Levi Strauss's money do J. Davis an ill turn?
3. Think of any inventors who signed away the rights to their invention before realizing its true value.
4. Why do inventors' names sometimes remain unknown to the public?
5. What is PPA? What is it about?
6. How does patent system work in Belarus?

### ☺ WORD STUDY

#### I. Guess the word by the definition given below.

1. affluent; rich- W- - - - -.
2. a person who is engaged or skilled in large-scale financial operations- F - - - - -.
3. a person, organization, etc., that competes with another for the same object or in the same field- R- - - -.
4. a proceeding in a court of law brought by one party against another- L- - - - -.
5. to serve or cause to serve in place of another person or thing- S- - - - -.
6. property or possessions- E- - - - -.

**II. 1) Match two columns to make collocations. 2) Make four sentences using the collocations.**

a. low-cost	1. rights
b. award	2. solution
c. sign away	3. company
d. refine	4. the race
e. lose in	5. a patent
f. go down	6. in history
g. evolve into	7. the design

**III. Insert the right preposition.**

1. The design was so good that we had difficulty in warding ... all the competitors who wanted to copy it.
2. They lost ... not because of their shortsightedness, but because of underdeveloped patent system.
3. Oh, it's 10 p.m. already. I think it's time to wind ... this meeting.
4. Alexander Bell applied ... a patent ... an apparatus that could transmit speech electrically.
5. Do you really believe that Edgar could substitute ... Michelle who has taken a sick leave?
6. I want to sew ... as many votes in the election as possible. Do I stand a chance?

**IV. Translate from Russian into English using the words from the text.**

1. Если у тебя есть интересная идея, не жди, пока кто-нибудь раньше тебя осознает ее коммерческую ценность - куй железо, пока горячо.
2. Джекоб обратился в патентное ведомство гораздо позже своего конкурента, и несмотря на то, что он попытался начать судебное дело против своего соперника, суд не присудил ему право на патент.
3. Сейчас уже мало кто знает, что Генри Вудворд и Мэтью Эванс были изобретателями электрической лампочки, поскольку они продали патент на это изобретение Эдисону, который улучшил первоначальный дизайн и представил его обществу несколькими годами позже.
4. Питер Ходгсон своевременно переименовал продукт в «Силли Патти» и стал продавать его на рынке как игрушку для детей.
5. Низкозатратным решением проблемы патентования изобретений стал закон США, который гарантирует права новатора исходя из даты подачи заявки на патент.

## Smother of invention

### European companies are suffering from an ineffective patent system

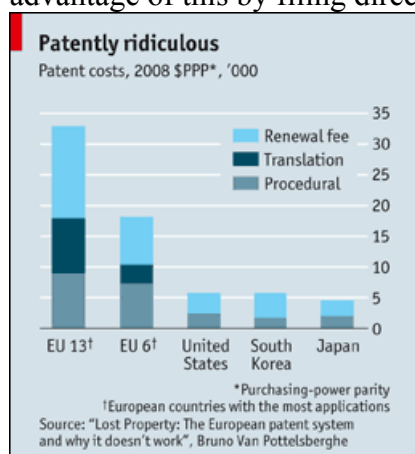
#### ☺ PRE-READING TASK

**What do you know about protection of inventions?**

**Read the text and say why European companies are suffering from an ineffective patent system today.**

IN 1997 the European Patent Office (EPO) gave a patent to Massachusetts General Hospital for its use of nitric oxide to treat bronchoconstriction, a method often used for “blue baby” syndrome. Three gas companies—America’s Air Products, France’s Air Liquide and Germany’s Westfalen Gas—appealed against the grant of the patent. Mass General and its Swedish licensee, AGA, then launched actions for infringement in the Netherlands, France and Germany. In 2000 a Dutch court said the patent was partially valid, in 2003 a French court said its validity was questionable and in the same year a German court judged it valid. Then in 2004 the EPO revoked the patent entirely.

Such cases infuriate companies in Europe. They want a single European patent to protect intellectual property across the region, and a single court in which to defend their rights. At the moment, inventors can apply to the EPO, with which all 27 members of the European Union and nine other European countries cooperate. But EPO patents, once granted, must be validated, translated and annually renewed in all those countries in which a firm wants protection. Litigation is country by country, and national courts can in effect overturn patents granted by the EPO, or uphold patents which have been invalidated by it. Firms can take advantage of this by filing directly with national patent offices.



According to a recent paper, “Lost property: The European patent system and why it doesn’t work”, by Bruno Van Pottelsberghe, a senior research fellow at Bruegel, a think tank, it can cost between four and ten times more to get a patent in Europe than in America, Japan, China or South Korea, depending on how many countries are involved (see chart). The bill is bloated by duplicate administrative fees and translation charges which add no value to the patent, says Mr Van Pottelsberghe, who was the EPO’s chief economist in 2005-07.

The burden falls most heavily on small to medium-sized firms. Overall, according to the European Commission, the lack of a unified patent system is one reason why Europe’s small and medium-sized technology firms fail to grow as quickly as those in America, Asia and elsewhere. One small firm, Sensaris, which makes wireless sensors to detect air pollution, has decided to make a filing under the international Patent Cooperation Treaty, which is a way of putting down a marker without the expense of a full patent application. Sensaris cannot afford the €30,000 (\$43,000) or more it would cost to get patents for three or four countries in Europe, says Michael Setton, its founder. “We have decided not to pursue patents in Europe because the system makes it effectively impossible for us to defend them,” says Fernando Guerrero, the Spanish co-founder of Solid Quality Mentors, a multinational technical consulting firm. Foreign lawsuits, he says, are unpredictable and can be very expensive.

A single “Community” patent, applying in all 27 countries of the EU, says Mr Van Pottelsberghe, could bring down the cost of obtaining protection by 60%. With a single court, firms would face less legal uncertainty. Sweden, which assumed the EU’s six-month presidency on July 1st, is trying to forge political consensus. “The Swedes are putting extreme focus and energy into finally getting a proper European Community patent,” says Alison Brimelow, president of the EPO.

The obstacles are still high. Surrendering their veto over patents would be a substantial loss of sovereignty for the EU’s members. In some areas, such as genes, software and stem-cell research, the question of what qualifies for protection is controversial. Language is another big difficulty. Most countries still insist that any

patent must be translated into their language to apply on their soil. In 2008 the burden was reduced somewhat by the London Agreement, under which countries can waive the right to have patents translated into their national language. But only 14 countries have agreed to do so. The EPO has only three official languages: English, French and German. Spain is particularly aggrieved at this.

The fuss over language may conceal other motives. Less innovative countries are unlikely to back a strong European patent, since their governments fear that companies which rely on imitation would lose market share to more inventive foreigners. National patent offices do not want to give up power and money. They, and the EPO itself, are worried that a unified process with a lower cost to companies would result in lower revenues. For the same reason, legal firms and translators have also fought against harmonisation.

But resistance may be starting to melt. “We have never been so close to having a Community patent,” says Thierry Sueur, head of intellectual property at Air Liquide in Paris. In the past politicians mostly left patent policy to specialists, since it seemed arcane and technical, but as intellectual property has grown in importance the flaws in Europe’s patent system have become more glaring.

The next five months will be crucial, because Spain, an opponent of a unified system, will hold the presidency of the EU next. In addition, the EPO will choose a new president in the next few months. Some candidates for the job are thought to oppose a Community patent and would be likely to hold back progress if elected—so a fight is on the cards.

*Jul 23rd 2009 | PARIS  
From The Economist print edition*

## ☺ VOCABULARY FOCUS

### I. Match the English and Russian equivalents.

nitric oxide  
infringement  
valid  
revoke  
litigation  
uphold  
invalidate  
wireless  
pursue  
forge  
obstacles  
surrender  
waive  
aggrieve  
fuss  
arcane  
flaw  
glaring

затруднения  
тяжба, судебный процесс  
беспроводной  
действительный, имеющий силу  
нарушение (закона, клятвы)  
отказываться (от права, требования)  
вопиющий, бросающийся в глаза  
возглавлять, лидировать  
преследовать  
возражение, протест  
трещина, брак  
тайный, скрытый  
огорчать, печалить, обижать  
окись азота  
отменять, аннулировать  
поддерживать, помогать  
лишать законной силы  
сдаваться, капитулировать

### II. Match two columns to make word-combinations.

nitric	property
launch	oxide
revoke	patent system
protect	political consensus
defend	motives

overturn	patent
unified	system
forge	actions
conceal	air pollution
innovative	rights
patent	countries
detect	patents

**III. The following words are in the text. Use your dictionary to find the other parts of speech.**

NOUN	VERB	ADJECTIVE
patent		
	validate	
		innovative
imitation		
	protect	
intellect		
		inventive
	reduce	
pollution		
	oppose	
		glaring

☺ **COMPREHENSION**

**I. Mark the following sentences as true or false.**

- In 1997 the European Patent Office (EPO) gave a patent to Massachusetts General Hospital for its use of nitric oxide to treat pneumonia.
- Three gas companies—America’s Air Products, France’s Air Liquide and Germany’s Westfalen Gas—appealed against the grant of the patent.
- In 2000 a Dutch court said the patent was entirely valid, in 2003 a French court said its validity was questionable and in the same year a German court judged it invalid. Then in 2004 the EPO revoked the patent partially.
- Such cases infuriate companies in Europe. They want a single European patent to protect intellectual property across the region, and a single court in which to defend their rights.
- According to a recent paper, “Lost property: The European patent system and why it doesn’t work”, by Bruno Van Pottelsberghe, a senior research fellow at Bruegel, a think tank, it can cost between four and ten times less to get a patent in America than in Europe, Japan, China or South Korea, depending on how many countries are involved.
- According to the European Commission, the lack of a unified patent system is one reason why Europe’s small and medium-sized technology firms fail to grow as quickly as those in America, Asia and elsewhere.
- Fernando Guerrero says that foreign lawsuits are predictable and can be not very expensive.
- In some areas, such as genes, software and stem-cell research, the question of what qualifies for protection is controversial.
- Most countries still insist that any patent must be translated into English.
- Thierry Sueur says they have never been so close to having a Community patent.

**II. Answer the questions below.**

- What happened with the patent to Massachusetts General Hospital for its use of nitric oxide to treat bronchoconstriction?

2. Why do the cases of revoking the patents infuriate companies in Europe?
3. Do duplicate administrative fees and translation charges add value to patents?
4. What is the reason why Europe's small and medium-sized technology firms fail to grow as quickly as those in America, Asia and elsewhere?
5. Which three official languages does the EPO have?
6. What other motives may the fuss over language conceal?
7. Why will the next five months be crucial for patent system?

**III. Complete the sentences according to the text.**

1. Three gas companies—America's Air Products, France's Air Liquide and Germany's Westfalen Gas—a..... against the grant of the ..... . Mass General and its Swedish l....., AGA, then launched actions for i..... in the Netherlands, France and Germany.
2. At the moment, i..... can apply to the EPO, with which all 27 members of the European Union and nine other European countries c..... .
3. But EPO patents, once granted, must be v....., translated and annually ..... in all those countries in which a firm wants ..... . Litigation is country by country, and national courts can in effect ..... patents granted by the EPO, or ..... patents which have been invalidated by it.
4. The burden falls most heavily on small to m..... firms. Overall, according to the European Commission, the lack of a u..... patent system is one reason why Europe's small and medium-sized technology firms fail to grow as quickly as those in America, Asia and elsewhere.
5. The o..... are still high. Surrendering their v..... over patents would be a substantial loss of s..... for the EU's members. In some areas, such as genes, software and stem-cell research, the question of what qualifies for protection is c..... .
6. The fuss over language may c..... other motives. Less i..... countries are unlikely to back a strong European patent, since their governments fear that companies which rely on i..... would lose market share to more i..... foreigners.
7. The next five months will be c....., because Spain, an opponent of a u..... system, will hold the p..... of the EU next.



## Steal this idea!

Fifteen years ago, you called Ticketron to buy a ticket to almost any musical or sporting event, unless you went right to the box office. Ticketron owned telephone ticket sales. Not anymore. Today, you would most certainly deal with Ticketmaster. By improving on Ticketron's innovative product, Ticketmaster completely unseated the standing market leader and virtually drove it out of business. Ticketron had pioneered computerized ticketing services in 1968. By the end of 1970, the company had established a de facto monopoly over the sale of theater, concert, and sports tickets.

Ticketmaster, founded in 1976 in Scottsdale, Ariz., installed its new ticketing system in a mere seven days by working around the clock. And on it went to challenge the market leader by targeting dissatisfied customers. Ticketron was not listening to the complaints of its customers.

By paying attention to customer needs, helping to promote shows, offering customized sales reports, and gauging demand for promoters, Ticketmaster followed in Ticketron's footsteps and expanded nationally. It managed to strip away some of its competitor's most valued accounts. Meanwhile, pioneering Ticketron did little to counter the challenge, and on June 14, 1991—mismanaged and outmaneuvered by a more aggressive competitor--the company was acquired by Ticketmaster, which integrated the remains of the dinosaur into its own operation. Today, Ticketmaster has 2,050 outlets and sells some 30 million tickets a year. Ticketron is all but forgotten. Industry pioneers are often thought to be in a position to dominate their competition, reaping great financial rewards by coming to market first. In fact, it's often a later imitator--such as Ticketmaster--that eventually wins the entire prize.

Imitation is not only more abundant than innovation, it is actually a clearer road to growth and profits. While the pioneers may build a commanding lead in market share--the so-called "first mover" advantage--in general, the benefits of innovation and early market entry have been grossly oversold.

### Imitate anything

Every business must understand imitation--as both an offensive and a defensive strategy in today's marketplace. Examples of successful imitation can be found in nearly every aspect of the economy:

\* The Automated Teller Machine, which revolutionized retail banking, was first marketed in the late 1960s by Docutel Corp., a small Texas upstart. Docutel created such innovations as the magnetic striped bankcard and the personal identification number, and the company dominated the industry during the early years of ATM banking. But its market share was soon eclipsed by much larger competitors, such as IBM and NCR. Docutel didn't even survive long enough to reap the profits of the ATM market it had essentially created.

\* In the soft drink industry, Royal Crown Cola--not Coca-Cola or Pepsi--introduced the first diet and decaffeinated colas. But RC has been unable to profit fully, because larger rivals snatched its ideas once they gained popularity.

\* Diners Club was the first multipurpose, third-party charge card of the kind that consumers are familiar with today. But Diners's success in the 1950s notwithstanding, dominance in charge and credit cards came not to the innovator or its early followers, but to much later entrants: American Express, Visa, and Mastercard. Diners Club is still around but is a fraction of the size of its successful imitators.

The pattern is time-honored, practically classic. As far back as 1933, The New York Times Mote that competition for a dynamic new technological product--television sets--would likely follow a familiar pattern: "smaller organizations take the first bow, and if well received, the large manufacturers come upon the stage."

On the other hand, sometimes small firms succeed when they copy the products of giant corporations. Rexhall Industries muscled its way into the recreational vehicle market by selling a less expensive version of the popular stainless steel, bubble-shaped Airstream trailer. As Rexhall's president once quipped: "In this industry, we call it R&C: research and copy."

Retailers copy all the time. The late Sam Walton, the immensely successful entrepreneur whose Wal-Mart discount stores surpassed \$44 billion in sales, admitted as much in his autobiography: "Most everything I've done, I've copied."

The anecdotal evidence in favor of imitation is nearly endless. Imitation is a powerful and frequently used entry strategy, and it runs the gamut from illegal duplicates of popular products to truly innovative new products that owe their inspiration to a pioneering brand.

### **Imitate the imitators**

The Japanese began conquering international markets by copying American products and selling the results at lower prices. Later, many Japanese firms switched from being product imitators to becoming product innovators. Yet the Japanese continue to employ imitation strategies. They have embraced the benefits of both approaches, applying each wherever appropriate. Meanwhile, American companies have attempted to copy the procedures, processes, and strategies that have made their Japanese competitors so successful. But the Japanese actually had the easier task to perform. Processes, procedures and strategies are culturally bound; it's much more difficult to reverse-engineer such intangibles than it is to copy physical products. As a result, the Japanese have had more success copying Western product innovations than American firms have had copying Japanese processes and procedural innovation.

Why would you want to imitate your competition in the first place? Usually, for one of two reasons:

- \* Firms often find themselves playing catch-up after being caught off guard by an innovative product introduced by a smaller, entrepreneurial company. Not recognizing the danger until the new product is proven, the established firm becomes forced to react swiftly by imitation--or it could go the way of Ticketron.

- \* In other cases, firms consciously forestall taking any dramatic action until the fog clears, employing a strategy of watchful waiting. Watchful waiting is utilized most often by industry leaders; they tend to have the necessary strong competitive skills in distribution and advertising, and, of course, the resources to fight and win. Only when the market proves attractive, and the pioneer makes the inevitable mistakes that pioneers commonly make, will the established companies become imitators, emerging to regain market share.

### **Know when to imitate**

There's a difference between imitation and later market entry, a strategy with some similar tactics. With imitation, there is definitely some copying involved; but later entry only implies that the firm has entered the market after the pioneer, perhaps with an innovative product of its own.

There's a similar distinction to be made between innovation and pioneering. Invention is a key component of innovation; it's key to the process by which a firm develops a radically new product. Pioneering implies commercialization--by which the firm is the first to take a product to market.

Pioneering firms benefit from "first-mover" advantages--they gain both ground and momentum just by virtue of being the first to enter the market. But those advantages are sometimes canceled out by the "free-rider" benefits picked up by imitators and later entrants. The question is, which benefit would you rather have?

- \* Pioneers often build a strong reputation through their innovations, while subsequent entrants may wind up tarnished with a copycat image.

- \* Pioneers also have the opportunity to create a customer base with intense brand loyalty to their product.

- \* Pioneers can position their product freely and--when they gauge the market correctly-- seize the most favorable market position before competitors even get a product to market.

- \* Pioneers have the opportunity to define an emerging product category in terms of their own products and can set industry standards that later entrants are forced to follow.

When you look at it that way, you wonder why anyone would doubt the advantages of being the first to market with a new product. Yet just by virtue of going public early, pioneers often prove to be vulnerable to crafty later entrants.

- \* Later entrants avoid spending on products for which there might be little or no demand. Only when there's market potential do they move in and grab a foothold.

- \* Imitation is less expensive than innovation. Later entrants avoid a lot of the heavy research and development costs that must be borne by the pioneer.

- \* Later entrants may also be able to make up for a slow start by spending more on marketing. That is, they spend a little more later, on promotion, rather than investing heavily in up front R&D costs.

- \* Later entrants get a free ride on those costs, and on the expense of educating the public about the benefits of new products. Pioneers often spend heavily to inform and persuade customers to sample innovative products.

- \* First-generation technology often presents a risk to pioneers; later entrants may be able to "leapfrog" their technology over pioneers.



### **The power of the free ride**

There is example after example of imitators who have surpassed industry pioneers. One of the most famous such incidences involves the microwave oven--once the province of science fiction, now ubiquitous in American kitchens.

It took a full generation for the microwave oven to emerge from invention to renown. First developed by electronics manufacturer and defense contractor Raytheon during World War II, the first microwave appeared on the market in the late 1940s. The early models were behemoths, six feet tall and 750 pounds. They didn't work so well; they cooked food unevenly. And they were incredibly expensive. Not surprisingly, they failed miserably as a consumer product. But for two decades, Raytheon continued to invest in improving microwave technology to create a commercially viable product. By the late 1960s, the company had launched the first portable, reasonably priced microwave unit--the famous Amana "Radar Range." In short order, U.S. firms like Tappan and Litton entered the market by offering premium quality ovens at premium prices.

Sales of microwave ovens finally took off in the mid-1970s. Suddenly, the Japanese appeared on the scene. The Japanese electronics giants entered with two key advantages over the established American firms: a willingness to accept lower profit margins; and a lower cost structure than their pioneering American competitors, which came with considerable experience producing ovens for the Japanese market. Companies such as Sharp, Sanyo, and Panasonic didn't just copy a successful product. They developed their own microwaves--based on American technology--and sold them with great success in Japan. The Japanese products were at least as good as the premium products offered by Amana and Litton, and they were priced much lower.

By 1980, the market had moved sharply in favor of the Japanese manufacturers. In the minds of consumers, price had become the most important feature. American companies, stuck with a premium product few consumers wanted, were forced to introduce low-end lower priced models but found themselves at an insurmountable disadvantage against the low-cost Asian products.

Then, in the early 1980s, the Koreans came in with even lower prices than the Japanese. The entry of Samsung was an example of reverse engineering at its finest; Samsung examined ovens from the world's top producers, selected the best features from each, then applied its talent for low-cost manufacturing to win private label businesses from price-conscious sellers such as J.C. Penney.

American producers were doomed. By 1990, the war was virtually over.

With annual U.S. sales now in the tens of millions of units, Litton was down to a 3.9 percent market share, while Amana held on to a measly 4.5 percent.

The example of microwave ovens illustrates two common components of copycat strategies. First, the microwave took decades to develop, at great expense to the pioneers, while the later entrants essentially got a free ride. Second, once the market started growing, Asian producers moved in with lower prices. Even though the pioneers had a competitive head start of more than 25 years, they ended up with no real advantage over the Japanese electronics giants, and--even more surprisingly--the Koreans, who started from scratch with no experience and no advantage whatsoever other than low-cost production. It's a case in which free-rider effects were far more powerful than first-mover advantage.

### **Go for the fresh start**

There are patterns of movement from lab to market that are common to many innovations. The same is true for imitation. In 1935, S.C. Gilfillan concluded that innovations often get stuck in a long, long, useless stage because it typically takes years to transform a new product idea into a commercially successful product. It takes a hardy pioneer to develop the staying power to shepherd new products through that interminable early period. Even if he does, he is handing imitators and later entrants a huge advantage. They can start afresh just as the pioneer is running out of steam.

Take, for example, the nine-year gap between Rheingold's pioneering introduction of light beer and the stunning commercial success of Miller Lite. And the gap of a decade or more between the initial launch of diet soft drinks and the first sustained commercial success.

In hindsight, many pioneering entries turn out to be "oddball" products, not fully realized when they are first brought to market.

Consider the case of ballpoint pens, which were rushed to market in the mid-1940s by the Reynolds Pen Company, a small, entrepreneurial upstart, and Eversharp, a perennial second-tier player in the then-dominant fountain-pen industry. The first commercially successful ballpoints were crude devices that leaked, skipped, and smudged. At a minimum price of \$12.50, they were also expensive. But these early, oddball ballpoints paved the way for the ultimate success of BIC.

It's often the case that pioneers simply enter the market too early.

They arrive before demand materializes, and they risk burning out the small amount of demand they are able to muster. Superb timing is a critical component of the successful imitation strategy. Often, an imitator will wait until it sees a change certain to boost market growth before it goes ahead and introduces its own product.

Pioneers often self-destruct just as the imitator attacks. Sometimes the pioneer is crippled by personal animosities among founders of the firm--no surprise when a small-scale, almost hobbyist endeavor quickly turns into big business. Henry Kloss, the inventor of the first commercially successful projection television, is a classic example. He actually set out to destroy the company he created.

In 1972, his Advent Corp. introduced its first projection TV set. By the mid-1970s, sales were good, but the company was hemorrhaging money.

Advent's board fired the inventor, who promptly started Kloss Video and introduced a competitive line. Kloss himself spoke poorly of Advent in the press, and by 1981, Advent was gone, Kloss was struggling, and the Japanese owned the market he had created.

One of the most successful imitation strategies is to sell knockoffs of a pioneer's product at bargain-basement prices. The idea is to expand the market for a specialty product into the mainstream by attracting consumers Unwilling to pay the pioneer's higher prices. To do it, you must have low costs that can then be passed on to the consumer.

Timing is also essential to the success of price-point imitations.

Consider what happened in the field of telephone answering machines, a product category pioneered by Code-A-Phone in 1958. When the product caught fire in the 1980s, later entrants such as Panasonic and AT&T moved production overseas and pushed their way to the forefront with lower-priced imitations of equal, if not superior, quality. Code-A-Phone was the last major seller to move production overseas--far too late for the company to bounce back.

While price-point imitation tends to favor industry giants, smaller entrepreneurial imitators may succeed by being "second but better."

Instead of cloning the pioneer's product or competing on price, this strategy is centered around an improvement of the pioneer's design and the assumption that consumers will prefer superior design over early entry.

No imitate-and-improve strategy can succeed for long without ongoing research and development. Later entrants should not start from scratch.

In the case of VCRs, for example, Sony's early success with the Beta format was quickly countered by Matsushita's VHS format, which could play and record longer and was priced lower. The "fast- second" entry of VHS occurred before the Beta standard was established. Beta was adopted by videophiles, who proclaimed its quality advantages, but VHS became ubiquitous. Its timing was critical to its ultimate victory. In theory, pioneers should be able to erect impenetrable barriers to keep copycats at bay. In practice, though, pioneers often have few resources to draw upon when facing off against industry giants. The big players may not have the foresight of their smaller, quicker-moving challengers, but once they decide to move into the market, they can pour resources into the effort, calling on many unparalleled strengths that often overwhelm the pioneer.

Large industry leaders have marketing clout, existing distribution channels, and the financial resources to support their imitative products. They can actually create huge amounts of demand just as they are positioned to move their products onto retail shelves. They have the ability to grow the market--an advantage smaller pioneers often cannot hope to match.

### **Find the opportunity**

In most cases of competitive imitation, Goliath prevails over David.

Small pioneers face a strategic dilemma to which there is no easy solution: They can manage internal expansion in a careful attempt to regulate how fast the firm grows, or they can grow quickly with the expanding market they seek to serve.

First, an imitator must find out whether a U.S. patent has been granted for the product in question. It's important to remember that only specific products are patentable, not abstract ideas. And patents cannot be obtained for broad concepts, such as money market mutual funds or food processors. That means that unless a patent is carefully thought out, even when it has been granted, it is vulnerable to circumvention by a clever competitor.

Small pioneers usually enter an emerging market when it is focused on a tiny segment. The pioneer may start out with the best position in that segment, but as the market grows, he often ends up with the best position in an increasingly inconsequential slice of the market. That slice may even disappear eventually, or fade into obscurity, like the Beta video format. This creates an opportunity for imitative later entrants to preempt the most desirable position.

Something along those lines happened to Cuisinart, the food processor pioneer. It found itself stuck at the high end of the market, while later entrants dominated the much larger mass market with lower-end models.

An imitator's chances improve when it has experience making and selling closely related products. Shared experience can easily negate the first-mover advantages held by the pioneer.

Despite the anecdotal evidence, imitation isn't always a successful strategy. Many times, the later entrant is unable to unseat the pioneer. The following are tactical tips that, if followed, can improve the chances of successful later entry:

- \* Treat unlikely threats as likely. The way innovations make their way to market is too chaotic to separate the winning ideas from the losers beforehand. But incumbents should widen their net and react faster to potentially threatening innovations.

- \* Stress the importance of concurrent R&D. Most successful imitators have ongoing R&D projects of their own. Rather than starting from scratch, they simply enter later.

- \* Slow down the pioneer with legal and regulatory challenges. Later entrants, especially powerful industry incumbents, can often hamper the effectiveness of the pioneer's entry with legal, regulatory, and publicly stated challenges to the pioneer's reputation. None of this is possible without exhaustive knowledge of the product and the market.

Later entrants should study the pioneer's product and look carefully for vulnerabilities.

- \* Time your entry carefully. All too often, "quick followers" imitators who rush to follow the pioneer into the newborn market-- are doomed to fail. Successful followers should enter quickly after the market has formed, not right after the initial pioneer. The imitator should react to market potential, not to the pioneer's first move.

- \* Avoid copying too closely. Some imitators get caught by slavishly imitating the pioneer's product without creating enough of a distinction for their own. Typically, this is an industry giant who enters with a copy virtually identical to the pioneer's product. The small pioneer then can play the role of a martyr and create vigorous brand loyalty through clever marketing or public relations.

- \* Stress continuity rather than radical technological change. Despite all the talk about the rapid rate of change in today's world, most businesses still prefer continuity to radical shifts. This factor favors later entrants with strong existing channels of distribution and a coveted reputation in the industry. These firms may not be as quick, or as nimble, as the pioneers they followed, but they can stress continuity to customers reluctant to embrace radical change.

### **Defend yourself**

If imitation is such a powerful and profitable business strategy, what can small entrepreneurial pioneers do to keep the copycats at bay? While imitators rarely can be completely barred from entering, their entry can be slowed by raising the costs of imitation and lessening the chances of ultimate success. A pioneer with a strong position in a small but growing market can often reap a handsome reward by selling out to a larger firm with greater resources. But the pioneer pays a price—he loses control of the company he created.

If selling out is not an acceptable option, forming a joint venture with a larger partner or licensing of the technology may be an option. Thus, the pioneer can attract outside capital and spread the financial risk of pioneering while still maintaining control. There is always a risk with bringing in an outside party. In this case, the risk is that partners or licensees will steal your ideas, leave the partnership, and then emerge as your biggest competitors.

The ultimate choice for pioneers, especially small entrepreneurial upstarts, is to fight off the copycats as they appear. First, the pioneer should establish clearly, through documentation, that it was the first to produce the new product. If an imitator's entry is a blatant copy, the pioneer can sue, seeking a preliminary injunction, which stops the copycat from selling the disputed product. Often, that forces a copycat to settle out of court or to license the technology. If legal remedies fail to dissuade imitators from entering, the pioneer can opt for several other defensive strategies. One is to block the opportunity for late entrants by introducing low-end generics of its own. The risk of this strategy is that the pioneer's own profit margin will be eroded as the market focuses on the low-end products.

Another option is to cede the low-end of the market to later entrants and focus on the more profitable-per-unit top half. This strategy secures higher profit margins but risks that low-end imitators will move upward once they have established a beachhead in the market.

Pioneers can also reduce the effectiveness of copycats by forcing them to stay one step behind in technology. Pioneers who continually update their products foreclose on the opportunity for a technological leapfrog by later imitators.

The final defense against imitators is not letting them copy at all--either as clones or as improved versions of the pioneer's product.

In some cases, especially with technological products, it is possible for the pioneer, once in the lead, to switch users to a proprietary standard that cannot be copied. Many experts argue that IBM should have done this with its popular personal computer to prevent imitators such as Compaq from selling essentially the same product at a lower price.

### Never neglect imitators

Time and again, we have seen that industry pioneers who invest great effort and funds in developing a product are not the ones who harvest the fruits.

Consider the case of Tyco Toys Inc., a firm that has successfully copied innovations of others on numerous occasions. In 1984, Tyco introduced "Super Blocks," a children's plastic building block nearly identical to those sold by Lego, the market leader from Denmark. When "Super Blocks" appeared on the market, Lego sued to protect its highly lucrative product from imitation. But the case was weak because its patent had expired in 1981, and Lego lost the legal battle. By the late 1980s, Tyco was selling \$20 million of "Super Blocks" a year - the ultimate vindication of the strategy of carefully timed, skillfully executed imitation.

*Schnaars, Steven P  
Success Magazine 1994*

## Guide

### ☺ COMPREHENSION

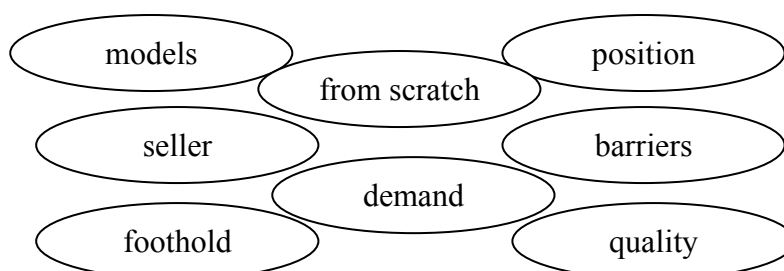
#### I. Work in pairs. Do you think the following statements are true or false?

1. Ticketmaster unseated its competitor with the help of successful advertising campaigns.
2. Imitation is more likely to be observed in research and development sector of the economy.
3. Later entrants avoid spending on products for which there might be little or no demand.
4. Pioneers always know the right time for entering the market.

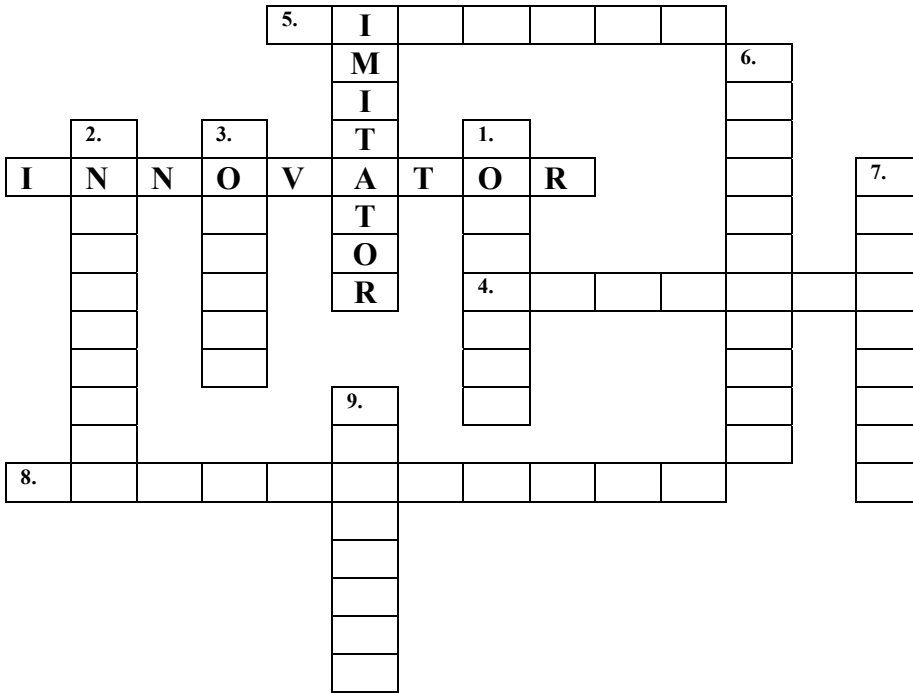
### ☺ WORD STUDY

#### I. Match two columns to make word-combinations and explain in English what these word-combinations mean.

1. gauge
2. premium
3. low-end
4. price-conscious
5. grab
6. start
7. erect
8. preempt



**II. Crossword puzzle.**



**Down:**

1. a person who accepts the teachings of another; disciple; adherent
2. incapable of being perceived by touch; impalpable
3. a person, esp a child, who imitates or copies another
6. a fact, evidence, circumstance
7. a demanding or stimulating situation, career, object
9. fake, imitation

**Across:**

4. a strange or eccentric person
5. an innovator or developer of something new
8. the act or process of growing, progressing

**III. Find the synonyms among these words.**

unseat	include	displace	entire	slip away	whole	seize	anticipate
bar	reap	clutch/grasp	catch off	forestall	gain	embrace	hamper

**IV. Fill in the gaps with the suitable word / word+preposition from the box.**

cede	quip	concurrent	opt in	outmaneuver	hemorrhage	muscle in	boost	doomed	owe
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1. After this initial ... , recruiting will fall off again.
2. We have to work tirelessly as we're holding two ... exhibitions!
3. The document was ... to the director by its former owners.
4. This deal is complete madness and could seriously ... the company.
5. People were told about the research project and asked whether they wanted to ... .
6. Our hopes were ... to disappointment.
7. This woman is very clever. She could ... even the Prime Minister!
8. The company ... its success to its excellent training programme.

9. She ... that being without a telephone for a few days would be nice.
10. It would be surprising were he not to have ... . He's always poking his nose into other people's affairs!

#### V. Translate the italicized parts of the sentences.

1. They had to work *и днем и ночью* to catch up with their competitors.
2. Ticketmaster *пошла по стопам* Ticketron and *стала расширяться на внутреннем рынке*.
3. *Некогда будучи новатором*, Ticketron couldn't *противостоять агрессивному конкуренту* and fell victim to *поглощения*.
4. Imitation is a powerful and frequently used entry strategy, and it *включает полный спектр* from *незаконных* duplicates of popular products to truly innovative new products that *обязаны* their inspiration to a pioneering brand.
5. *Изобретатели* often prove to be *уязвимыми перед хитрыми* later entrants.

#### ☺ FOLLOW-UP ACTIVITY

**Speak on behalf of Patent and Trademark Office about the importance of applying for a patent. Also, find out about Belarusian patent system, its history and peculiarities. Give some advice to inventors who want to apply for a patent in Belarus.**

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## Hot or not?

### ☺ PRE-READING TASK

#### What facilities/methods promote flexible working?

For employees to accept hot desking as the norm, employers need to adopt a considerate and holistic approach to ensure staff are productive from the moment they arrive at their desks.

Hot desking simply means providing spare desks which are used on an ad hoc, first come, first served basis without any management. Office staff do not have a permanent desk at work, but vary their work stations regularly, according to the demands of their role and the needs of the organisation.

The cost of accommodation forms a major proportion of a company's total expenditure and this type of arrangement enables employers with itinerant workers and staff who are frequently out of the office to make better use of available resources, as space within the office does not have to be allocated to them permanently.

Nigel Reading, Business Development Director for BusinessSolve says that the business, economic and environmental benefits of decentralising combined with hot desking and remote working are widely acknowledged, but it is fair to say that until recently, the practice of hot desking was discussed more often than it was actually implemented. Both private and public sector organisations are under increasing pressure to cut costs and effective space management and efficient utilisation of existing resources can be a critical factor in achieving this.

Hot desking also allows companies to address other mission-critical issues such as allowing flexible working practices by providing the option to work off-site and to address environmental concerns – travel and pollution levels are greatly reduced when employees don't commute to the office every day. According to Reading there are three dominant drivers for the adoption of hot desking as a business practice - cost, the need to reduce carbon footprint, and the fact that office staff are often away from their desks for a considerable amount of time but, despite their absence, valuable - and expensive – office space and resources are still retained for them.

Studies undertaken by Advanced Workplace Associates indicate that most buildings are only utilised at a rate of 45 per cent under traditional approaches to work and workplace. “For many companies, these issues are pressing enough to move from their existing facilities to smaller premises, thus encouraging employees to adopt a remote working and hot desking model.”

A recent survey of office workers by Project Office Furniture revealed that hot desking is out of favour with UK employees. Some 67 per cent of respondents do not like hot desking, despite the cost savings and convenience it can mean for their employers. Two thirds of those sampled said they would be less likely to accept a new job at a firm where staff have to hot desk. But, on the upside, 84 per cent of respondents said they would be more in favour of hot desking if it meant they had the option of being able to work from home.

Almost two thirds of respondents - 59 per cent – said the main reason they disliked hot desking was that it caused unnecessary disruption to their working routine and 23 per cent said they like to have their files and other information sources permanently around them.

73 per cent of those surveyed claimed they would find it stressful and inconvenient if they did not know precisely where they would be sitting when they arrived at work each day and for 70 per cent of respondents, having their own regular desk at work gives them a sense of security within their firm, with nearly two thirds stating they like to have personal belongings on their desk which makes them feel they own their own workspace.

Reading says that it is only natural that some personnel will resist the concept, as they feel that they have earned their right to their desk and the Nigel Reading says there are a number of steps a company can take to facilitate a seamless transition to a hot desking and remote working model. Security and comfort that comes with it but adds that careful management of the situation can lead to rapid acceptance. “In order to facilitate a seamless transition to a hot desking and remote working model there are a number of steps a company can take. It's important to consider how the change will affect the staff - not many of us like working in isolation so make sure the new set up allows space for group and team meetings and for some interaction.” 52 per cent of respondents to Project Office Furniture's survey felt their productivity was increased by sitting with the same

colleagues because it means they can hear and share information without having to communicate formally and more than half - 57 per cent - felt their efficiency may be reduced if they regularly had to move their personal belongings. "It's also essential that you communicate any proposed change in working style before presenting it as a fait accompli," says Reading. "By allowing workers to express any concerns they may have about the new practice gives you a chance to address these fears and design the hot desking model and policy with their needs front of mind. "If the arrangement is to work smoothly; rules will need to be adhered to concerning office housekeeping, including telephone and message handling, and issues such as clear desk policies. Also make it clear which resources will be made readily available, and which need to be booked in advance.

Maximising productivity is also critical, implementing an effective scheduling solution enables users to check the availability of resources and book them either in advance or on arrival. In fact, with the right tools, hot deskers can be just as productive as they were when based in their former centralised office." According to Professor Cary Cooper of UMIST University, Project Office Furniture's survey results on hot desking bear out a common theme. "Staff want an element of security that is represented by having their own desk. They want to feel that they have some control over their working lives and their own desk is particularly important at a time when jobs for life are fast disappearing. That said they are increasingly seeking a happy work-life balance, so like to be able to combine working from home and turning up to the office. They value that flexibility but still want desk space that they can call their own."

Lynn Headington, Marketing Director for Project Office Furniture said, "Judging from the results of our survey, it's very important for people to feel comfortable and secure at work - more specifically to have their own desk if working full time at the office in order for them to be productive and efficient. "That said, hot desking can be an effective way for firms to manage their overheads, and is clearly popular if staff can also have the chance to work from home. If working two days out of five in the office, hot desking is a cost effective way for FMs to maximise return on investment.

The message to employers is to consider whether a hot desking policy is really going to increase efficiency or will it leave staff feeling alienated and out of the loop. If there is a risk of this, then firms need to work hard with their internal communications procedures to prevent this from happening if they go down the hot desking route."

## Guide

### ☺ COMPREHENSION

#### I. Answer the questions below.

1. What does 'hot desking' mean?
2. What are the main reasons for establishing 'hot desking system' in a company?
3. Is 'hot desking' popular with employers? With employees? Why?
4. Why do people sometimes resist 'hot desking'?
5. What must be done in order to introduce 'hot desking' smoothly in a company?
6. Is 'hot desking' becoming an inevitable trend in the 21 century?

### ☺ WORD STUDY

#### I. Match the words and word combinations with their definitions.

1. ad hoc	a. workplace which is away from the principle area of activity
2. work off- site	b. something already done and beyond alteration
3. premises	c. for a particular purpose only



4. fait accompli	d. business expenses, such as rent, that are not directly attributable to any department or product and can therefore be assigned only arbitrarily
5. out of the loop	e. a piece of land together with its buildings, esp. considered as a place of business
6. overheads	f. the things that a person owns or has with him; possessions
7. personal belongings	g. working for a short time in various places, esp. as a casual laborer
8. itinerant	h. not to belong to a group of people to whom information is circulated

**II. Find another word or phrase from the text for the following.**

- |                             |                       |                            |
|-----------------------------|-----------------------|----------------------------|
| 1. to imitate, to take over | 3. constant, enduring | 5. integral, entire        |
| 2. undermining              | 4. choice             | 6. to oppose, to withstand |

**III. Join the words to make the word combinations. Use prepositions where necessary.**

adopt		routine
book		advance
facilitate	in	remote working
disruption	to	approach
encourage	over	working life
acknowledge		transition
control		employee

**IV. Translate into English using your active vocabulary.**

- Любой руководитель должен подобрать оптимальный подход к внедрению системы «горячих столов».
- Система «горячих столов» призвана сокращать накладные расходы компаний.
- Хотя система «горячих столов» и удаленная работа признаны большинством руководителей эффективными формами организации рабочего пространства и времени, тем не менее, не всем удается осуществить их на практике.
- Две трети опрошенных работников компании заявили, что «система горячих столов» создает ряд неудобств, поскольку гораздо приятнее видеть ежедневно свои личные вещи на своем рабочем месте, нежели искать письменный стол, который случайно оказался свободным.
- Руководитель должен понимать, что многие сотрудники будут сопротивляться концепции «горячих столов», вот почему в первую очередь необходимо обсудить эту идею с подчиненными, взвесить все «за» и «против», а не ставить работников перед переменами как совершившимся фактом.

## Bosses crack down on social networks amid leaks

Companies are cracking down on employees' use of social networks and increasingly are tracking their e-mails in an attempt to stop secrets leaking out.

The recession and resulting layoffs have increased the risk of disgruntled or departing employees leaking information in revenge or for monetary gain. A survey in the United States showed that almost a third of companies — 31 per cent — had dismissed workers for violating e-mail policies.

American companies are also increasingly concerned about a growing number of data leaks caused by employee misuse of blogs, social networks and even Twitter.

Workers are posting sensitive information on their pages in LinkedIn, Facebook and MySpace, not realising that their employers are checking their online profiles.

The survey by Proofpoint, an American data security group, found that 17 per cent of US companies had information exposed through these channels, up from 12 per cent a year ago, and that 8 per cent had dismissed employees because of it. Even Twitter can pose a threat to a company's confidential information, the survey found. More than one in ten companies had investigated a data leak involving such micro-messaging sites in the past year.

Outgoing e-mail remains the most serious problem. According to Proofpoint's survey of 220 US companies with more than 1,000 employees, the number employing staff whose main role is monitoring outbound e-mails had doubled in a year to 33 per cent.

British companies are even more rigorous. A survey last year showed that more than half regularly audited e-mail to ensure compliance with company rules. Financial and legal organisations have a duty to monitor e-mail traffic to comply with regulations and to cover them in the event of legal action, but the practice is spreading to all sectors. Companies can buy software that tracks e-mail traffic and raises flags if words such as "secret" come up. Others perform regular random sampling of employees' e-mails.

Morag Hutchison, an employment law expert at Pinsent Masons, said that companies wanting to take action relating to staff e-mail or internet use must clearly spell out what they regard as acceptable usage.

*Mike Harvey, San Francisco  
From The Times  
August 19, 2009*

### Guide

#### ☺ COMPREHENSION

##### I. Answer the questions.

1. Why are employers becoming more cautious about their employee's usage of social networks?
2. Why are employees sometimes involved in data leakage?
3. What does 'sensitive information' mean?
4. What are the ways of detecting data leakage?

#### ☺ WORD STUDY

##### I. Match the following words with their definitions.

1. rigorous	to bring to public notice; disclose; reveal
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2. outbound	severely accurate; scrupulous
3. expose	going out
4. audit	lacking any definite plan or prearranged order; haphazard
5. random	to make certain or sure; guarantee
6. ensure	to inspect, correct, and certify (accounts, etc.)

## II. Put a word from the table in an appropriate form.

1. They took him to court as he acted in ... of the law.
2. Water supplies in the region fail to ... with standards set down by the WTO.
3. Upon closer ... we discovered the cause of the data leaks.
4. All the candidates have been getting an enormous amount of ... on television and in the press.
5. We've ... the dealers with new articles in order to attract their attention.

Violate
Compliance
Investigate
Expose
Sampling

## ☺ FOLLOW-UP ACTIVITY

**You run a chain of small newsagent's shops. You have an increasing number of problems with 'shrinkage' – that is, loss of stock through theft. You suspect members of staff are as much to blame as the public. Do you have any other suggestions for dealing with this shrinkage problem? Work in small groups. Hold a meeting. Discuss the proposals and decide which ones to implement.**

### **SUGGESTIONS FOR DEALING WITH 'SHRINKAGE'**

1. Position tills in front of the exits.
2. Issue staff with uniforms with no pockets.
3. Run courses training staff to look out for thieves.
4. Put electronic tags or labels on products to trigger alarms at exits.
5. Pay staff well so they don't need to steal.
6. Give staff larger discounts so they feel less tempted to steal.
7. Install more mirrors in the shops.
8. Keep more detailed stock figures.
9. Put clauses in staff's employment contracts permitting searches of their belongings.
10. Employ more staff so they have more time to observe customers (and each other).

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## Five Guidelines for Ethical Business Communications

December 2008 - Michelle Howe

### ☺ PRE-READING TASK

**What do you know about ethical business behavior?**

**In your opinion why is ethical business behavior essential today?**

Do you understand what behaving ethically entails? According to Michael Josephson, there are four principles of ethical behavior: honesty, integrity, fairness, and concern for others. You can think of these four basic principles as the legs of an imaginary stool. One missing leg will create a wobbly stool, but two missing legs makes the stool collapse. If you aren't fair or caring, your pride in being honest and having integrity means nothing.

### Ethical Behavior in Business

As of late, ethical business behavior has been a number one topic of concern. Reviewing the events of the last year, it would appear that the words "business" and "ethics" are conflicting terms. Whether you look to Wall Street, mortgage companies like Fannie Mae and Freddie Mac, or private companies like AIG, never mind all of the mortgage companies being investigated for questionable business practices, the news is depressing. It appears that the 1980's mantra "greed is good" never truly went away.

The criminal dealings of top entrepreneurs have been uncovered, which should motivate other individuals to behave more ethically. In truth, however, it commonly acts as an excuse for not changing poor behavior. What harm can there be in using your company's PC computer for personal business when your manager uses the company's telephone for personal long distance calls? When employees see how company management conducts itself, they begin to feel no shame for whatever little indiscretions they may have committed themselves.

Managers can unintentionally be signaling that unethical behavior will be tolerated when they put pressure on a smaller, downsized staff to produce more. When employees feel forced to meet company goals by whatever means possible, ethical behavior may go by the wayside. They get the message, "It's OK to be dishonest, as long as you meet your objectives." As the economy takes us on a roller coaster ride, we need to evaluate our own thought patterns to ensure that we don't allow ourselves to fall into unethical behavior just because it looks like we can easily get away with it. There is always room for improvement in your business communications.

These are five guidelines to assist you in communicating ethically (source: "Business Communication, Process & Product," Mary Ellen Guffy, 2000):

Be truthful. Statements that are misleading or untrue should never be made. It is also not ethical to tell partial truths or to exaggerate.

Be sure to label opinions as opinions. Do not attempt to convince anyone that something you merely believe to be true is already a proven fact. Do the work; research thoroughly and assure yourself that you aren't just representing another person's opinion as your own.

Do not show bias. Understand that your own subjective beliefs may come through in your writing. Even if you are passionate in your opinions, ethics call for you to be dispassionate in your presentation.

Your communications should be easy to understand. You should put down your thoughts clearly, so they are simple to comprehend. Make sure that what you write can be easily understood by the reader. Don't muddy the waters by using convoluted sentences and all sorts of hard-to-comprehend industry jargon.

Credit your sources. Do not copy anyone's work. Most people have the basic knowledge that they must use quotation marks if they are using a direct quote from another writer. Yet there are a number of people who

do not understand that they need to properly credit other people's ideas as well. You are still cheating if you paraphrase sentences and throw in a handful of new words without crediting the author.

### Summation

Not only must you communicate ethically to be successful in the long run, but it is also morally correct. Be sure you conduct yourself in the way that you would want others to emulate. If you conduct your affairs ethically and are successful, other individuals will follow your lead.

Share it!

## Guide

### ☺ COMPREHENSION

#### I. Work in pairs. Do you think the following statements are true or false?

1. Reviewing the events of the last year, it would appear that the words "market" and "ethics" are conflicting terms.
2. The criminal dealings of top entrepreneurs have been uncovered, which should motivate other individuals to behave less ethically.
3. Employees use their company's PC computer for personal business because managers use the company's telephone for personal long distance calls.
4. There is always room for improvement in your business communications.
5. Sometimes statements that are misleading or untrue should be made in business communication.
6. Even if you are passionate in your opinions, ethics call for you to be passionate in your presentation.
7. You should put down your thoughts clearly, so they are simple to comprehend. Make sure that what you write can be easily understood by the reader.
8. Do not copy anyone's work. Sometimes you may paraphrase sentences and throw in a handful of new words without crediting the author.

#### II. Answer the questions below.

1. What are the four principles of ethical behavior according to Michael Josephson?
2. Why has ethical business behavior been a number one topic of concern nowadays?
3. What should motivate other individuals to behave more ethically?
4. Why do employees begin to feel no shame for whatever little indiscretions they may have committed themselves?
5. In which situation may ethical behavior go by the wayside?
6. What are the five guidelines to assist you in communicating ethically?
7. Why is it important to conduct your affairs ethically according to the text?

#### III. Complete the sentences according to the text.

1. As of late, ethical business behavior has been a number one topic of c.....
2. Whether you look to Wall Street, m..... companies like Fannie Mae and Freddie Mac, or p..... companies like AIG, never mind all of the mortgage companies being investigated for questionable business practices, the news is d.....
3. The criminal dealings of top e..... have been uncovered, which should motivate other individuals to behave more e.....
4. Managers can unintentionally be signaling that u..... b..... will be tolerated when they put pressure on a smaller, d..... staff to produce more.

5. Even if you are p..... in your opinions, ethics call for you to be d..... in your presentation.
6. Your c..... should be easy to understand. You should put down your thoughts c....., so they are simple to c.....
7. Not only must you communicate ethically to be s..... in the long run, but it is also m..... correct.

☺ **WORD STUDY**

**I. Match two columns to make word-combinations.**

ethical	entrepreneurs
top	news
conflicting	companies
depressing	communication
mortgage	dealings
business	behaviour
criminal	sentences
company	terms
partial	management
misleading	marks
convoluted	statements
quotation	truths

**II. Match the word with its definition.**

integrity	to fall down, to become too weak to continue, to fail
concern	to make something seem better, more important etc than it really is
collapse	to understand something that is complicated or difficult
mortgage	complicated and difficult to understand
entrepreneur	the quality of being honest and of always having high moral principals
indiscretion	public or political events and activities; things connected with your personal life, your financial situation
exaggerate	something that worries you
comprehend	someone who starts a company, arranges business deals, and takes risks in order to make a profit
convoluted	a lack of careful thought or good judgment in the things that you say or do
affair	a legal arrangement by which you borrow money from a bank or similar organization in order to buy a house, and pay back the money over a period of years

**III. Fill in the gaps with the words given in Ex. II using the necessary form.**

1. Even scientists do not ..... these phenomena.
2. The damage was greatly ..... by the press.
3. You building society or bank will help to arrange a .....
4. He was a man of absolute ....., with highest moral standards.
5. I am not prepared to discuss my financial ..... with the press.
6. The business finally ..... because of rising debts.
7. The main ..... is that the health of employees will be at risk.

**IV. Work in pairs and act out an interview between the reporter of the Times and Michelle Howe, the president of Internet Word Magic who specializes in writing irresistible copy for websites. Michelle is answering questions of the reporter about ethical behavior in business.**

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## Mission statement

A mission statement is an organisation's vision translated into written form. It makes concrete (for all to see and read) a leader's view of the direction and purpose of an organisation. For many corporate leaders it is a vital part of their attempt to motivate employees and to set priorities.

The challenge is to distil this into a few short, pithy paragraphs that will be memorable to all those with an interest in the company. It is all too easy for a mission statement to become a bland idealistic blur, as in this (anonymous but real) example: "The mission of X is to maximise the company value by providing total quality services, empowering customer-oriented employees and growing through expansion, acquisition and new technology." Such jargon is not likely to fire imaginations struggling to establish an entirely new market.

Many companies buttress their mission statements with a catchy slogan, something that acts as a quick and easy guide to what the company is really about. The best of these can be taken at several different levels and suit many purposes—for example, Harley-Davidson's "It's not the destination, it's the journey"; Nike's "Just do it"; and IKEA's "To create a better everyday life for the people we aim to serve".

Three main benefits are attributed to mission statements:

❖ They help companies to focus their strategy by defining some boundaries within which to operate. Federal Express, for example, has said it is "dedicated to maximising financial returns by providing totally reliable, competitively superior, global air-ground transportation of high priority goods and documents that require rapid, time-certain delivery". It is not, evidently, going to enter the business of bulk shipping oil products or semiconductors.

❖ They define the dimensions along which an organisation's performance is to be measured and judged. The most common candidate (not surprisingly) is profit. DuPont, for example, said that it considered itself successful "only if we return to our shareholders a long-term financial reward comparable to the better performing large industrial companies". Corporations often acknowledge their responsibility to other stakeholders as well, mentioning their attitude to employees ("to treat them with respect, promote teamwork, and encourage personal freedom and growth"—Dow Chemical), or to customers ("to continually exceed our customers' increasing expectations"—Johnson Controls).

❖ They suggest standards for individual ethical behaviour. For example, Body Shop in Britain had what it called "Our reasons for being". Among them were: "To passionately campaign for the protection of the environment, human and civil rights, and against animal testing within the cosmetics and toiletries industries."

Some companies' statements have an almost missionary zeal. One of the most extraordinary was that once drawn up by Marks and Spencer, a British retailer. Its mission, it said, was: The subversion of the class structure of 19th century England by making available to the working and lower-middle classes, upper-class quality at prices the working and lower-middle classes could well afford.

Johnson & Johnson, one of the most admired companies in America, created what it called the J&J Credo. Written in 1943 by Robert W. Johnson Jr when he succeeded his father as chairman of what was then still essentially a family firm, the J&J Credo set priorities by stating that J&J's first responsibility was to its customers. Its second responsibility was to its employees, its third to its management, its fourth to the community, and its fifth and last to its shareholders.

Steve Jobs's mission statement for Apple in 1980 was: "To make a contribution to the world by making tools for the mind that advance humankind."

Mission statements got a big boost (and the name) from the wide publicity given to that of the NASA moon mission articulated by President Kennedy in 1961: "Achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth." That mission was achieved, just in time, in July 1969.

Jun 2nd 2009  
From Economist.com



## Guide

### ☺ COMPREHENSION

#### I. Answer the questions below.

1. What is the simplest definition of a 'mission statement'?
2. Why do companies need mission statements?
3. Why is the process of defining a mission statement so challenging?
4. What are the benefits of mission statements?
5. Think of the most extraordinary mission statements you have ever heard of.

### ☺ WORD STUDY

#### I. Match the words with their definitions.

1. pithy	a. to support or sustain
2. to buttress	b. full of meaning or substance
3. to acknowledge	c. fervent or enthusiastic devotion
4. dedicated	d. information used to draw public attention to people, products, etc.
5. publicity	e. devoted to a particular purpose or cause
6. zeal	f. to recognize or admit the existence, truth, etc.
7. stockholder	g. an owner of corporate capital stock

#### II. Find the synonyms to the following words from the text.

- |                 |               |
|-----------------|---------------|
| 1. to authorize | 4. limit      |
| 2. to impel     | 5. attractive |
| 3. stretching   | 6. purchase   |

#### III. Insert the right preposition in the sentences below.

1. To sound more persuasive he had to buttress his arguments ... solid facts.
2. They attributed their success ... hard work and dedication ... customers.

### ☺ FOLLOW-UP ACTIVITY

**Think of some other mission statements/ slogans not mentioned in the text. How do they reflect the purpose of the organization? In what way can they motivate the employees of the company?**

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## Business strategy

### ☺ INTRODUCTION

**Read the following case study and then answer the questions below.**

Richard Thomas, a brilliant electronics engineer, decided to set up his own business. He felt there was a gap in the market for low-priced computer components. The start-up capital for the firm, Computex, was provided by the bank (an overdraft facility of £25,000) and Richard's savings of £15,000.

He began by hiring another person to help him develop the components. Six months later they built up a good supply of components and tried to sell them. But many potential customers were suspicious of the low prices.

It was over a year before Richard got his first order. By that time, he had an overdraft of £40,000. He was spending all his time advertising the products, running round to meet customers and trying to persuade them to buy.

Three months later, three things happened. First, a few large orders were received, but Richard had to wait three months or so before being paid. Second, the bank decided to call in the overdraft within a month. Third, Richard received offers from two venture capital companies. The first was prepared to invest £200,000 in return for an 80% share of Richard's business; the second was willing to put up £250,000 for a 90% share.

This was the situation facing Richard Thomas fifteen months after he had set up his high-technology enterprise.

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

### Text 1

### ☺ PRE-READING TASK

**What do you know about strategic planning?**

**In your opinion is it important to write a strategic plan for the success of a business?**

**I. Before you read the text look up the following words in your bilingual dictionary.**

Verbs: pursue, determine, foretell, adhere, scope, allocate.

Nouns: scenario, inquiry, complexity, consideration, issue, competition.

Adjectives: appreciative, turbulent.

### ☺ READING

**I. Read the text and decide why strategic planning is so important for an organization's success.**

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) and PEST analysis (Political, Economic, Social, and Technological analysis).

Strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key questions:

"What do we do?"

"For whom do we do it?"

"How do we excel?"

In business strategic planning, the third question is better phrased "How can we beat or avoid competition?" In many organizations, this is viewed as a process for determining where an organization is going over the next year or more typically 3 to 5 years, although some extend their vision to 20 years. In order to determine where it is going, the organization needs to know exactly where it stands, then determines where it wants to go and how it will get there. The resulting document is called the "strategic plan".

It is also true that strategic planning may be a tool for effectively plotting the direction of a company; however, strategic planning itself cannot foretell exactly how the market will evolve and what issues will surface in the coming days in order to plan your organizational strategy. Therefore, strategic innovation and tinkering with the 'strategic plan' have to be a cornerstone strategy for an organization to survive the turbulent business climate.

There are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more a technique than model), etc. Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and by when). Issues-based strategic planning often starts by examining issues facing the organization, strategies to address those issues, and action plans. Organic strategic planning might start by articulating the organization's vision and values and then action plans to achieve the vision while adhering to those values. Some planners prefer a particular approach to planning such as appreciative inquiry. Some plans are scoped to one year, many to three years, and some to five to ten years into the future. Some plans include only top-level information and no action plans. Some plans are five to eight pages long, while others can be considerably longer.

## ☺ VOCABULARY FOCUS

### I. Fill in the gaps with the words given in Ex. I.

1. Kristin ..... her acting career with great determination.
2. I like the actors but I don't like the ..... of this film.
3. There are several documents under .....
4. Drug testing of employees is a sensitive .....
5. Some planners prefer a particular approach to planning such as appreciative .....
6. The duty officer ..... us a cabin for the night.

### II. Match the English and Russian equivalents.

determine	размещать, распределять
pursue	определять
issue	преследовать, добиваться
competition	предсказывать, прогнозировать
appreciative	сложность
turbulent	буйный, беспокойный
complexity	восприимчивый
allocate	конкуренция
foretell	проблема

**III. Choose the synonyms from the box to the highlighted words.**

**managership, research, follow, important, contribute, direction, violent, complication**

1. Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on **allocating** its resources to **pursue** this strategy.
2. Some planners prefer a particular approach to planning such as appreciative **inquiry**.
3. Therefore, strategic innovation and tinkering with the 'strategic plan' have to be a **cornerstone** strategy for an organization to survive the **turbulent** business climate.
4. Strategic planning is the formal consideration of an organization's future **course**.
5. The way that a strategic plan is developed depends on the nature of the organization's **leadership**, culture of the organization, **complexity** of the organization's environment, size of the organization, expertise of planners, etc.

**IV. The following words are in the text. Use your dictionary to find the other parts of speech. Check the pronunciation.**

NOUN	VERB	ADJECTIVE
	<b>adhere</b>	
		<b>turbulent</b>
	<b>determine</b>	
		<b>considerable</b>
<b>competition</b>		
	<b>survive</b>	
<b>complexity</b>		

**☺ COMPREHENSION**

**I. Mark the following statements as true or false:**

1. The way that a strategic plan is developed depends on the nature of the organization's leadership.
2. Strategic planning is the formal consideration of an organization's present course.
3. Strategic planning itself can foretell exactly how the market will evolve.
4. Issues-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and by when).
5. The way that a strategic plan is developed depends only on the nature of the organization's leadership.
6. Some plans are two to four pages long, while others can be a little bit longer.

**II. Answer the questions to the text:**

1. What is strategic planning?
2. What analysis techniques can be used in strategic planning?
3. Strategic planning is the formal consideration of an organization's future course, isn't it?
4. What key questions does strategic planning deal with?
5. What strategic planning models do you know?
6. What do all these strategic planning models start by?

### III. Complete the sentences according to the text.

1. Strategic planning is the formal consideration of an organization's .....
2. The resulting document is called the .....
3. It is also true that strategic planning may be a tool for effectively ..... the ..... of a company.
4. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment,..... , ....., etc.
5. .... planning is probably the most common and starts with focus on the organization's mission.
6. .... strategic planning often starts by examining issues facing the organization, strategies to address those issues, and action plans.
7. Some planners prefer a particular approach to planning such as .....

### IV. Put the sentences in a logical order according to the text.

1. It is also true that strategic planning may be a tool for effectively plotting the direction of a company.
2. There are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more a technique than model), etc.
3. There are a variety of perspectives, models and approaches used in strategic planning.
4. Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people.
5. Strategic planning is the formal consideration of an organization's future course.
6. Various business analysis techniques can be used in strategic planning.

## Text 2

### ☺ PRE-READING TASK

#### I. What is the key to success in business? Make up some rules!

#### II. Before you read the article below, match these words to their definitions.

a benchmark	sth that is not successful
a challenge	easy to see or understand
a failure	at the present time
a temptation	a wish to do or have sth that you know is bad or wrong
a value	strong
apparent	a criterion; standard
currently	to express your thoughts clearly in words
robust	a new or difficult task
to articulate sth	sth very useful or important
to cause sth	to ask money for goods or a service
to charge	to judge the importance
to employ (a strategy)	to check regularly the development of sth
to measure sth	to use
to monitor sth	to make sth happen
to strive for sth	not clear
to yield	to try very hard to achieve sth
vague	to produce or provide sth, e.g. a profit

**III. Simon Olive is a senior business consultant at AXA, a world leader in financial protection and wealth management, with major operations in Western Europe, North America and the Asia/Pacific area.**

**Read his article and say what is essential for a successful company.**

**BASIC INSTINCT**

The longer I work with businesses, the more convinced I become that success is often achieved by simply adhering to the basics. True competitive advantage in a service industry is more likely to be gained by doing the basics better than your competitors than constantly striving for the next big thing.

But why is this advice so easily forgotten, just when we need it most? I believe this is because today's conditions of turbulence and change make it easy for us to forget these simple rules. As the pace of change increases, it is easy to take our eye off the ball and get caught up in the apparent need to plot ever more complicated strategies to meet the new challenges we face. In this article, I would like to revisit some of these business basics and explore how you can employ them to maximum advantage.

1

First, have a plan. It amazes me how often businesses of quite substantial size have no clear vision or specific goals to pursue. They may be able to articulate a vague direction for the business, perhaps to become more profitable or to be the biggest IFA in their area. However, when inquired "How much profit?" or "Biggest in what terms?", it becomes apparent that these are, at best, wishes.

A clear, well-defined purpose and set of objectives are essential to determine direction and leadership and are the benchmarks against which all a company's activities and decisions can be judged. So often I see the absence of clearly articulated medium or long-term strategic objectives as the reason why business owners struggle to make short-term tactical decisions.

2

Second, allocate sufficient time for reviewing your plan on a regular basis - monthly at least - to monitor progress. You would never dream of setting out on a journey to some new destination without checking the map at regular intervals, so why take that risk with your business? Book this time as if it was an appointment with your most important client. It is easy to get sidetracked into fire-fighting and never have time to deal with the issues that cause a lot of problems.

Make an objective analysis of your activities and inquire: "Is this moving me closer to achieving my objectives?" A typical failure is the temptation to take speculative or lower-producing client meetings. You may have seven meetings a week, two of which typically yield nothing while others yield between £100 and £500. Invest time in robust client management system and replace these unproductive meetings with more profitable ones.

3

Another good tip is to take a good look at your business from a client perspective. Break down your activities and ask yourself: "Is this activity adding real value to my clients, such that they would pay for it if given the choice?" If it does not add value, stop doing it. If it adds value but is not currently profitable, see if the process can be simplified or the cost reduced. If you cannot make it profitable, look at the price you charge and decide whether the client would pay a higher price or fee. If you are not sure, ask your clients.

A robust management information system is one of the most essential basics. Without one, you are not really in control of your business and any decisions you make are likely to be based on symptomatic or flawed data. Failure to accurately measure how long it takes people within your business to do certain tasks for certain clients can cause unprofitable decisions around client activity.

*Notes*

*It is easy to get sidetracked into fire-fighting - Это легко - решать проблемы по мере их возникновения.*

*Independent Financial Advisers or IFAs (UK) are professionals who offer unbiased advice on financial matters to their clients and recommend suitable financial products from the whole of the market.*

*Management information systems (MIS) is an arrangement of people, technologies, and procedures, designed to provide managers with information*

**IV. Match these headings to the appropriate parts of the text (1, 2, 3).**

Analyse yourself

Fail to plan is plan to fail

Are you heading in the right direction?

**V. Read the article again. Note down the tips the author gives and the mistakes business owners typically make.**

Tips	Mistakes

**VI. Work in pairs. Role play either the general manager or the consultant.**

<p><i>General Manager</i> You feel the company is not doing well. It might be a good idea to have a consultation with an expert. Meet the consultant and ask for help.</p>	<p><i>Consultant</i> You are going to meet the general manager of a company that is experiencing some problems at the moment. Question the general manager and suggest possible solutions.</p>
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## Doing business in China

### Chinese Business Culture

#### ☺ PRE-READING TASK

**Do you think that Asian business culture is somehow different from European? If yes, what makes it different?**

#### Deal-Making

You'll find it beneficial to bring your own interpreter, if possible, to help you understand the subtleties of everything being said during meetings. Speak in short, simple, sentences free of jargon and slang. Pause frequently, so that people will be able to understand everything you've said. You will have to make presentations to different levels of the organization. Before you arrive, have at least 20 copies of your proposal ready for distribution. Generally, the Chinese treat "outside" information with caution. Except for those educated in the West, Chinese businesspeople largely rely on subjective feelings and personal experiences in forming opinions and solving problems. In Chinese business culture, the collectivist way of thinking still prevails, even in sectors experimenting with free enterprise. "Saving face" is an important concept to understand. In Chinese business culture, a person's reputation and social standing rests on this concept. Causing embarrassment or loss of composure, even unintentionally, can be disastrous for business negotiations. The Chinese are very keen about exchanging business cards, so be sure to bring a plentiful supply. Ensure that one side is in English and the other is in Chinese. Include your professional title on your business card, especially if you have the seniority to make decisions. In Chinese business culture, the main point of exchanging business cards is to determine who will be the key decision-makers on your side. If your company is the oldest or largest in your country, or has another prestigious distinction, ensure that this is stated on your card. It's an asset to have your business cards printed in gold ink. In Chinese business culture, gold is the color of prestige, prosperity. Present your card with two hands, and ensure that the Chinese side is facing the recipient. When receiving a business card, make a show of examining it carefully for a few moments; then, carefully place it into your card case or on the table, if you are seated at one. Not reading a business card that has been presented to you, then stuffing it directly into your back pocket, will be a breach of protocol. In accordance with Chinese business protocol, people are expected to enter the meeting room in hierarchical order. For example, the Chinese will assume that the first foreigner to enter the room is head of the delegation. Since there is such a strong emphasis on hierarchy in Chinese business culture, ensure that you bring a senior member of your organization to lead the negotiations on your behalf. The Chinese will do the same. Only the senior members of your group are expected to lead the discussion. Interruptions of any kind from subordinates may be considered shocking by the Chinese. In Chinese business culture, humility is a virtue. Exaggerated claims are regarded with suspicion and, in most instances, will be investigated.

The Chinese will not directly say "no" to you. Instead, ambivalent answers such as "perhaps", "I'm not sure", "I'll think about it", or "We'll see" usually mean "no." The Chinese tend to extend negotiations well beyond the official deadline to gain advantage. On the final day of your visit, they even may try to renegotiate everything. Be patient, show little emotion, and calmly accept that delays will occur. Moreover, do not mention deadlines. At the end of a meeting, you are expected to leave before your Chinese counterparts.

You may have to make several trips to China to achieve your objectives. Chinese businesspeople prefer to establish a strong relationship before closing a deal. Even after the contract is signed, the Chinese will often continue to press for a better deal.



## Gift-Giving

Lavish gift giving was an important part of Chinese culture in the past. Today, official policy in Chinese business culture forbids giving gifts; this gesture is considered bribery, an illegal act in this country. Consequently, your gift may be declined. In many organizations, however, attitudes surrounding gifts are beginning to relax. In any case, you will have to approach giving gifts with discretion, as outlined in the following points.

If you wish to give a gift to an individual, you must do it privately, in the context of friendship, not business. The Chinese will decline a gift three or more times before finally accepting, so as not to appear greedy. You will have to continue to insist. Once the gift is accepted, express gratitude. You will be expected to go through the same routine if you are offered a gift.

In the presence of other people, never present a valuable gift to one person. This gesture will cause only embarrassment, and possibly even problems for the recipient, given the strict rules against bribery in Chinese business culture. Do not take any photograph of any gift giving unless it is a symbolic gift presented to the organization as a whole.

Giving a gift to the entire company, rather than an individual, can be acceptable in Chinese business culture as long as you adhere to the following rules:

- All business negotiations should be concluded before gifts are exchanged.
- Specify that the gift is from the company you represent. If you can, explain the meaning of the gift to the receiver.
- Present the gift to the leader of the Chinese negotiating team.
- Do not get anything that is obviously expensive, so that the company will not feel obliged to reciprocate.
- Valuable gifts should be given to an individual only in private and strictly as a gesture of friendship.
- Make sure that the gifts given to people of the same level of importance are equitable or of similar grade. Somehow, they may find out later, and the difference may lead to strains in your relationship.
- Do not wrap a gift before arriving in China, as it may be unwrapped in Customs.
- If possible, have your gifts wrapped in red paper, which is considered a lucky color. Plain red paper is one of the few safe choices since a variety of meanings, many of which are negative, are attributed to colors in Chinese culture.
- Pink and gold and silver are also acceptable colors for gift wrap. Wrapping in yellow paper with black writing is a gift given only to the dead. Also, do check the variations from region to region about colors.

Because colors have so many different meanings in this culture, your safest option is to entrust the task of gift-wrapping to a store or hotel that offers this service. *Appropriate Business Gifts*: a good cognac or other fine liqueur, a fine pen [**not** with red ink - writing in red ink symbolizes severing ties], solar calculators, kitchen gadgets, stamps, if the recipient is interested in them [stamp collecting is very popular here], a cigarette lighter, assuming the recipient is a smoker. Often, gifts are not opened in the presence of the giver.

Acceptable gifts for a company include items from your country or city, such as handicrafts, or an illustrated book. Be sure to bring a supply of these items with you, so that you can reciprocate if it happens that you are presented with a gift.

Gifts of food are acceptable, but not at dinner parties or other occasions where appetizers and meals will be served. Candy and fruit baskets, however, are acceptable as thank-you gifts sent after these events.

Eight is considered one of the luckiest numbers in Chinese culture. If you receive eight of any item, consider it a gesture of good will. Six is considered a blessing for smoothness and problem free advances. Four is a taboo because it means 'death.' Other numbers such as '73' meaning 'the funeral' and '84' meaning 'having accidents' are to be avoided.

You should remember about some gifts to avoid: scissors, knives, or other sharp objects can be interpreted as the severing of a friendship or other bond. *The following items are also to be avoided as they are associated with funerals*: straw sandals; clocks; handkerchiefs; four of any item [the Cantonese word for 'four' sounds similar, in the same language, to 'death']; gifts or wrapping paper in white, black or blue.

## **Making Appointments**

Being late for an appointment is considered a serious insult in Chinese business culture. Like in American business culture, when you are about to be late, please inform your Chinese business partner about it. Allow them to make adjustments or re-arrangements.

Business and government hours are 8:00 a.m. to 5:00 p.m., Monday through Saturday. There is, however, a five-day work week in larger cities. Do avoid plans to visit government offices on Friday afternoon, because this is sometimes reserved for 'political studying' of the officials.

When scheduling your appointments, be sensitive to holidays such as Chinese New Year. During May Day, or the National Day, many businesses will be closed for up to a week during this period. The date of this occasion varies from year to year due to an official advisory to allow the long holidays.

## **Public Behavior**

### **Acceptable public conduct**

The Chinese will sometimes nod as an initial greeting. Bowing is seldom used. Handshakes are also popular; wait, however, for your Chinese counterpart to initiate the gesture. If you visit a school, theater, or other workplace, it is likely that you will be greeted with applause as a sign of welcome. In turn, you should respond by applauding back. Avoid making expansive gestures and using unusual facial expressions. Banquets are hosted with varying degrees of extravagance, usually in a restaurant. The Chinese do not use their hands when speaking, and will only become annoyed with a speaker who does.

The Chinese, especially those who are older and in positions of authority, dislike being touched by strangers. Acknowledge the most senior person in a group first. Smiling is not as noticeable in China, since there is a heavy emphasis on repressing emotion. Members of the same sex may hold hands in public in order to show friendliness. Public displays of affection between the sexes are frowned upon.

## **Conversation**

Before your visit, it will be a good idea to prepare yourself by studying aspects of Chinese language, culture, history, and geography. Your hosts will appreciate your initiative. If you speak Chinese, they will really appreciate your efforts and take your initiative of doing business in China more seriously than if you do not speak any Mandarin. Moreover, your ability of being able to understand Chinese language will help you to establish a better "Guanxi" among your Chinese associates.

Negative replies are considered impolite. Instead of saying 'no', answer 'maybe', 'I'll think about it', or 'We'll see' and get into specifics later. You'll find that the Chinese will do the same. When your Chinese counterparts smilingly and politely or even enthusiastically say 'No big problem' or 'The problem is not serious', they usually mean 'There are still problems.' And you should inquire more about the potential problems that still exist.

You may be asked intrusive questions concerning your age, income, and marital status. If you don't want to reveal this information, remain polite and give an unspecific answer. However, revealing your age and marital status (not income, though) could benefit you in doing business in China. But don't express irritation with the questioner, since 'losing face' has such negative implications in this culture. On the other hand, unless you are a very familiar personal friend, do not ask your Chinese hosts about their family although, typically, you can ask 'How old is your child?', 'How long have you been in the work force?' or 'Where is your child studying?' as a means of determining their marital status and age.

You may make general inquiries about the health of another's family, such as 'are all in your family well?'

Like in Latin culture, 'Small talk' is considered especially important at the beginning of a meeting; any of the topics suggested in the next set of points will be appropriate for this occasion. *Welcome Topics Of Conversation:* Chinese scenery & landmarks, weather, climate, and geography of China, your travels in other countries, your positive experiences travelling in China and the recent economic developments in China, Chinese art.

### **First Name or Title?**

Most people should be addressed with a title and their last name. If a person does not have a professional title, use Mr., Madam, Miss, plus the last name. In mainland China, a married Chinese woman usually retains her maiden name. She will rarely use her husband's last name. Many Chinese adopt an English first name to make it easier for North Americans and other Westerners to address them. You can expect to hear some rather odd and rare English names as they try hard to be different from others.

Address people using official titles such as General Committee Member, or Bureau Chief whenever possible. It is customary to address the deputies by skipping the word 'deputy,' such as, 'Chief' for 'Deputy Chief,' 'Chairman' for 'Vice Chairman' 'General Manager' for 'Assistant General Manager.'

### **Entertaining For Business Success**

Business lunches are growing in popularity here. Business breakfasts, however, are not a part of Chinese business culture, except in Guangdong, Hangzhou and Fujian province where the 'Morning Tea' is very popular. Evening banquets are the most popular occasions for business entertaining. Generally, these events start between 5:30 p.m.-6:00 p.m. and last for two hours. If you are the guest, you should arrive on time. If you wish, arrive around 15 minutes early to a banquet; your Chinese hosts and counterparts will probably be present before the proceedings officially begin. Banquets are hosted with varying degrees of extravagance, usually in a restaurant. Wait to be seated, as there is a seating etiquette based on hierarchy in Chinese business culture. Generally, the seat in the middle of the table, facing the door, is reserved for the host. The most senior guest of honor sits directly to the left. Everyone else is seated in descending order of status. The most senior member sits in the center seat. Follow this seating pattern if you are hosting a banquet or a meal in your residence, whether for business or purely social reasons.

The host is the first person at the table allowed to begin eating by suggesting the first drink. Then, the rest of the company can proceed with the meal. If you are the host, take the first piece of the most valued food and put it on your guest of honor's plate after leading the first drink. This will signify the beginning of the eating and is considered a friendly gesture. It is not uncommon for a host to order enough food for seven people at a table of five. He or she loses face if there are not plenty of leftovers at the end of a meal. Rice, considered by many Chinese to be filler, is generally not served until the end of a meal. So, if you want to eat rice with your meal be sure to ask the waiter or waitress to serve it early, particularly if the food is spicy.

During a meal, as many as 20-30 courses can be served, so try not to eat too much at once. The best policy is to lightly sample each dish. Leaving a 'clean plate' is perceived to mean that you were not given enough food. On the other hand, leaving a food offering untouched will also give offense; even if you find a dish unappealing, try a small portion for the sake of politeness.

One important part of Chinese business entertaining is a tea drinking ritual known as 'yin cha.' It is used to establish rapport before a meeting or during meals. If you do not want a 'refill' of tea, leave some in your cup.

If you are served food that does not require utensils, you may be given a bowl of tea for the purpose of dipping and cleaning your fingers.

It will be appreciated if you use chopsticks. When you are finished eating, place your chopsticks on the table or a chopstick rest. Do not put the end of the chopstick in your mouth. Try not to drop your chopsticks, as this is considered a sign of bad luck.

Scorpions, locusts, snake skin, bile, dog meat, soft-shell tortoise and blood are considered delicacies.

Forming a personal relationship ['guanxi' in Chinese] in your business dealings is very important. Part of this involves participating in the strong drinking culture that exists here. Generally, the Chinese regard with suspicion anyone who does not participate in the inevitable drinking that takes place during almost all business dinners. And it is at these kinds of social occasions that most negotiating breakthroughs are made. Prepare some medical excuses for yourself to avoid drinking heavily; if you really wish to avoid alcohol, they will accept medical excuses.

Toasting, usually with beer, wine or Chinese white liquors, is an important part of Chinese business etiquette. Toasts will be proposed throughout the meal. Two popular toasts are 'ganbei' ['bottoms up!'] and 'kai wei' ['starting the appetite!'].

The meal has reached a definite conclusion when fruit is served and hot towels are presented. Shortly after these items are offered, guests should make preparations to leave. In accordance with Chinese business etiquette, the host will not initiate the guests' departure.

Tipping is generally considered an insult in China. Most government operated hotels and restaurants prohibit acceptance of tips. It is sometimes expected, however, in some of the bigger hotels and by younger service personnel, in the more opened cities.

Generally, the Chinese are not great experimenters when it comes to their diet. Unless he or she has traveled extensively, the typical Chinese businessperson doesn't like Western food. Better to take your guests to a good Chinese restaurant rather than, for example, the latest French restaurant opening in Beijing. They'll appreciate it.

## **Doing Business in the UK**

### **British Social and Business Culture**

#### **☺ PRE-READING TASK**

**Can you think of any cultural, ethical or business values of the UK?**

#### **Overview**

The United Kingdom is a nation of cultural and ethnic diversity consisting of four countries each with a clear identity: England, Scotland, Wales, and Northern Ireland. A thoroughly multicultural society, the UK continues to blend its rich cultural heritage with a modern and innovative outlook. Knowledge and an appreciation of the basic business values of the UK is crucial to any organisation wanting to conduct business in such a varied yet traditional country.

#### **British Culture - Key Concepts and values**

**Indirectness** – The British, in particular the English, are renowned for their politeness and courtesy. This is a key element of British culture and is a fundamental aspect of British communication style. When doing business in the UK you generally find that direct questions often receive evasive responses and conversations may be ambiguous and full of subtleties. Consequently, it is important to pay attention to tone of voice and facial expression, as this may be an indication of what is really meant.

**'Stiff upper lip'** – This is a term often used to describe the traditionally British portrayal of reserve and restraint when faced with difficult situations. In British culture, open displays of emotion, positive or negative are rare and should be avoided. During meetings, this means your British colleagues will approach business with an air of formality and detachment.

**Humour** – A vital element in all aspects of British life and culture is the renowned British sense of humour. The importance of humour in all situations, including business contexts, cannot be overestimated. Humour is frequently used as a defense mechanism, often in the form of self-depreciation or irony. It can be highly implicit and in this sense is related to the British indirect communication style.

The United Kingdom is renowned for its colourful history and strong sense of tradition that has been shaped by a colonial empire, both civil and European war and a constitutional monarchy. The fourth largest trading nation, the UK is fast becoming Europe's leading business centre. Supported by a long-established system of government and economic stability, the UK is an attractive base for overseas business, offering skills in areas such as research, development and technology. However, in order to operate successfully in the UK business environment, there are a number of important issues to take into consideration both before and during your time there.

## UK Business Part 1 - Working in the UK

### Working practices in the UK

- In accordance with British business protocol, punctuality is essential at any business meeting or social event
- When making business appointments it is best practice to do so several days in advance.
- The British are inclined to follow established rules and practices; therefore decision-making is often a slow and systematic process.

#### *Structure and hierarchy in UK companies*

- Today, UK businesses maintain relatively “flat” organisational hierarchies. The principal divide is between managers and other ranks.
- In general, the board of directors is the principal decision-making unit. Major decisions are made at the very top.
- The British prefer to work in the security of a group-established order with which they can identify.

#### *Working relationships in the UK*

- UK managers generally favour the establishment of good working relationships with their subordinates.
- The boss often takes the role of a coach, creating an atmosphere of support and encouragement.
- Teamwork is very important, however there exists a strong feeling of individual accountability for implementation and error.

## UK Business Part 2 - Doing business in the UK

#### *Business practices in the UK*

- Business meetings in the UK are often structured but not too formal and begin and end with social conversation.
- First names are used almost immediately with all colleagues. Exceptions are very senior managers. However, you should always wait to be invited to use first names before doing so yourself.
- Business cards are an essential prop and are usually exchanged.
- Negotiations and decisions are usually open and flexible. Your British counterparts will favour a win/win approach.

#### *British business etiquette (Do's and Don'ts)*

- DO respect personal space. The British value their space and keeping an acceptable distance is advised.
- DO remember to shake hands on first meetings. It is considered polite to do so.
- DO make direct eye-contact with your British counterpart, however remember to keep it to a minimum or it could be considered impolite or rude.
- DON'T ask personal questions regarding your British counterpart's background, occupation or income.
- DON'T underestimate the importance of humour in all aspect of business in the UK.
- DON'T forget that instructions are often disguised as polite requests.

## How to handle American business culture

### ☺ PRE-READING TASK

**How do Americans make business decisions? What values are important to America? What are some of the potential hazards to avoid in US business dealings?**

## Overview

American business culture is straightforward in some respects while baffling in others. American values run deeper than Hollywood and Coca-Cola, and here we address how to help clients navigate all the nuances — from salesmanship to slang to socializing.

### *Getting to the point*

Americans are generally straightforward and down-to-earth. They prefer to learning the interest and intent of others as quickly as possible, even if it means running the risk of hurt feelings or "loss of face". In your meetings with Americans, be direct and specific, not vague or ambiguous. In negotiations, Americans are open to compromise — and so should those negotiating with them. They are direct and straightforward, but emotion is rare; any anger or frustration is probably not heartfelt, and instead is likely a negotiating ploy. Americans are open to alternative ideas and structures for business arrangements, but at the same time they want to be assured that they're getting the best deal possible — as good as (if not better than) the deals inked by others in their position.

### *Getting your message across*

In American culture, the role of the individual is given greater importance than the group or community. Correspondingly, offices in the United States are, by worldwide standards, not very formal or bureaucratic — but this is a general tendency, and one that shouldn't be universally applied. Nevertheless, at virtually every American office, the workers' desks will feature photos of their loved ones. Furthermore, at virtually every American office the managers will be found commiserating with their subordinates. And, while every corporate culture is different, generally American office environments are more relaxed and egalitarian than elsewhere in the world.

Smaller firms are typically more informal and less bureaucratic — where the people crafting and implementing a plan of action are likely to also be the final decision-makers. There is also more informality and less bureaucracy in firms on the West Coast (California, Oregon, and Washington state) and in the Southwest (Arizona, New Mexico).

Many Americans enjoy "networking", meeting people to make connections in the business world (also known as "expanding one's Rolodex"). People network not only within their own company (i.e., with colleagues) but also with vendors and clients. Savvy networkers even make connections with people who work for their competition in the industry!

### *Mixing business and pleasure*

Americans are often very outwardly warm and open in their initial communications, but — unlike in other countries' cultures — this does not indicate an establishment of true friendship or intimacy. This outward warmth and openness (including nonverbal cues like smiling) is sometimes misconstrued by foreigners as superficiality, when in reality these outward signs simply don't indicate what they do elsewhere in the world.

Conversations about the weather, sports teams, etc., are shared not only by friends and by business contacts but also by people in different "walks of life": an American CEO is much more likely to strike up a conversation with a taxi driver than would a CEO in another part of the world. Naturally, though, more private subjects (such as income, religion, relationships, or medical history) are rarely asked about by someone not well acquainted. However, occasionally such information will be volunteered by a near-stranger!

Particularly with high-end white-collar professions, work is rarely considered drudgery by Americans. Entrepreneurs are particularly admired for fusing the American ideals of work and individualism. Commensurately, the question "What do you do?" is *not* considered rude or intrusive, even at the start of an introduction. Tellingly, Americans are more likely to identify themselves by their job ("I'm a bank vice-president") than by their company ("I work for Citibank"). Americans take work (and the income earned therein) very seriously and tie it closely to their notions of status. However, this is more than simple worship of the "almighty dollar." The higher the status and income level of the job, the more the job becomes all-consuming rather than just a "9 to 5" responsibility. Companies exist to maximize their profits, not to ensure the

comfort of their employees. Both employers and employees react to this fact, leading to both "downsizing" (euphemism for firing) and "job-hopping".

### *Dressing for success*

West-coast informality applies not only to behavior but to modes of dress — yet informal business attire can today be found in any region of the country. Also, the mode of dress is more informal in many offices on Fridays (known as "casual Fridays", usually consisting of pants and a collared shirt, although including blue jeans in some offices). However, suits and ties (for men) or skirts/pants and blouses (for women) are the standard attire for just about any business meeting — regardless of region of the country or day of the week. Plus, it's always safer to be too dressed up than too dressed down.

## **Guide**

### ☺ **COMPREHENSION**

#### **I. Work in pairs. Do you think the following statements are true or false?**

1. Common knowledge is the main factor in solving problems for Chinese businesspeople.
2. The Chinese do not care much about exchanging business cards with their business associates.
3. Being patient and able to repress any kind of emotion is a guarantee of success in negotiations with the Chinese.
4. When in China, you have to follow some rules concerning giving and accepting gifts.
5. The Chinese will highly appreciate such Belarussian handicrafts as straw sandals or linen tablecloth.
6. Acknowledging the senior person among your Chinese counterparts is vital in negotiations.
7. The Chinese are mostly considered to be straightforward and outspoken.
8. The Chinese enjoy trying new things.
9. In accordance with British business etiquette, when entering a room allow those of a higher rank to enter first.
10. It is considered polite to enquire about an individual's profession and salary during an initial meeting in the UK.
11. In the UK the number 13 is considered extremely unlucky.
12. When invited to an English home, it is customary to arrive at least 10-20 minutes before the arranged time.
13. Sitting with folded arms during a business meeting is a sign of boredom and that you are uninterested.
14. Americans prefer to work in strict and formal atmosphere.
15. Socialising among people working in competitive companies is common in the USA.
16. Conversations about work are a rigid taboo for many Americans.
17. Americans attach great importance to dress code.

#### **II. Answer the questions below.**

1. Why finding a good interpreter will help forward successful negotiations with the Chinese?
2. Is gift-giving considered bribery in China?
3. Are meeting delays acceptable in China?
4. What ways of building personal relations with business partners do the Chinese prefer?
5. What are the main key concepts and values in the UK?
6. Who is the main decision-maker in UK businesses?
7. What are the main nuances of doing business in the USA?
8. How do Americans perceive the notion of 'job'?





8. to interpret mistakenly

M										
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9. a manoeuvre or tactic in a game, conversation, etc.

P			
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10. an arrangement to meet a person or be at a place at a certain time

A									
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**V. Think of the paronymous words to the words given in the table.**

Noun	Adjective	Verb
negotiation/negotiator	renegotiable	renegotiate
adjustment	?	?
?	intrusive	?
experimenter	?	?
?	subordinate	?
?	?	extend
encouragement	?	?
?	?	commiserate
vendor	?	?

### ☺ FOLLOW-UP ACTIVITIES

1) **Work in pairs. Think of Belarussian business and cultural values. In what way are the similar/different from Chinese/ British/American? Make a report on this topic reinforcing your arguments with some examples.**

2) **Role-play.**

➤ **You are all attending an international conference and meeting people who come from many different cultures. Stand up, walk around the room, and talk to the other conference participants. You can talk about anything you like: whether they are enjoying the conference, what talks they have been to, their work, their family, hobbies, holidays, sports- anything at all. However, you need to follow some rules.**

**Everyone's rules are different (see the cards below).**

➤ **Describe any unusual behavior you noticed at the conference. What sort of culture did you think the other people came from? Ask them if you were right. How did their behavior make you feel when you were speaking to them? How did they feel about your behavior?**

#### CULTURE A

You come from a culture where people pause for a long time before they speak, taking time to think about what they are going to say. And when they do speak, they speak very slowly. You must behave in this way at the conference, **BUT DON'T TELL ANYONE WHAT YOU ARE DOING.**

Observe the other people at the conference closely. Do you notice anything unusual about their behavior? What sort of culture do you think they come from?

#### CULTURE B

You come from a culture where people use their hands a lot when they are speaking. They also speak very loudly to show they are interested. You must behave in this way at the conference, **BUT DON'T TELL ANYONE WHAT YOU ARE DOING.**

Observe the other people at the conference closely. Do you notice anything unusual about their behavior? What sort of culture do you think they come from?

**CULTURE C**

You come from a culture where it is rude to look people in the eye when you are listening or speaking, so you try to avoid eye contact as much as possible. You must behave in this way at the conference, BUT DON'T TELL ANYONE WHAT YOU ARE DOING.

Observe the other people at the conference closely. Do you notice anything unusual about their behavior? What sort of culture do you think they come from?

**CULTURE D**

You come from a culture where people like to stand very close to one another. They also like to touch each other a lot. You must behave in this way at the conference, BUT DON'T TELL ANYONE WHAT YOU ARE DOING.

Observe the other people at the conference closely. Do you notice anything unusual about their behavior? What sort of culture do you think they come from?

**CULTURE E**

You come from a culture where people don't move their hands, faces, or bodies when they are speaking. They also speak very quietly. You must behave in this way at the conference, BUT DON'T TELL ANYONE WHAT YOU ARE DOING.

Observe the other people at the conference closely. Do you notice anything unusual about their behavior? What sort of culture do you think they come from?

**CULTURE F**

You come from a culture where people speak very fast. They also like to stand a long way from the person they are talking to. You must behave in this way at the conference, BUT DON'T TELL ANYONE WHAT YOU ARE DOING.

Observe the other people at the conference closely. Do you notice anything unusual about their behavior? What sort of culture do you think they come from?

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## Working on Common Cross-Cultural Communication Challenges

### ☺ PRE-READING TASK

#### How can cultural differences affect business?

We all have an internal list of those we still don't understand, let alone appreciate. We all have biases, even prejudices, toward specific groups. In our workshops we ask people to gather in pairs and think about their hopes and fears in relating to people of a group different from their own. Fears usually include being judged, miscommunication, and patronizing or hurting others unintentionally; hopes are usually the possibility of dialogue, learning something new, developing friendships, and understanding different points of view. After doing this activity hundreds of times, I'm always amazed how similar the lists are. At any moment that we're dealing with people different from ourselves, the likelihood is that they carry a similar list of hopes and fears in their back pocket.

We all communicate with others all the time -- in our homes, in our workplaces, in the groups we belong to, and in the community. No matter how well we think we understand each other, communication is hard. Just think, for example, how often we hear things like, "He doesn't get it," or "She didn't really hear what I meant to say." "Culture" is often at the root of communication challenges. Our culture influences how we approach problems, and how we participate in groups and in communities. When we participate in groups we are often surprised at how differently people approach their work together.

Culture is a complex concept, with many different definitions. But, simply put, "culture" refers to a group or community with which we share common experiences that shape the way we understand the world. It includes groups that we are born into, such as gender, race, or national origin. It also includes groups we join or become part of. For example, we can acquire a new culture by moving to a new region, by a change in our economic status, or by becoming disabled. When we think of culture this broadly, we realize we all belong to many cultures at once.

Our histories are a critical piece of our cultures. Historical experiences -- whether of five years ago or of ten generations back -- shape who we are. Knowledge of our history can help us understand ourselves and one another better. Exploring the ways in which various groups within our society have related to each other is key to opening channels for cross-cultural communication.

In a world as complex as ours, each of us is shaped by many factors, and culture is one of the powerful forces that acts on us. Anthropologists Kevin Avruch and Peter Black explain the importance of culture this way:

...One's own culture provides the "lens" through which we view the world; the "logic"... by which we order it; the "grammar" ... by which it makes sense. (*Avruch and Black, 1993*)

In other words, culture is central to what we see, how we make sense of what we see, and how we express ourselves.

As people from different cultural groups take on the exciting challenge of working together, cultural values sometimes conflict. We can misunderstand each other, and react in ways that can hinder what are otherwise promising partnerships. Oftentimes, we aren't aware that culture is acting upon us. Sometimes, we are not even aware that we have cultural values or assumptions that are different from others!

Six fundamental patterns of cultural differences -- ways in which cultures, as a whole, tend to vary from one another -- are described below. The descriptions point out some of the recurring causes of cross-cultural communication difficulties. As you enter into multicultural dialogue or collaboration, keep these generalized differences in mind. Next time you find yourself in a confusing situation, and you suspect that cross-cultural differences are at play, try reviewing this list. Ask yourself how culture may be shaping your own reactions, and try to see the world from others' points of view.

## Six Fundamental Patterns of Cultural Differences

### **Different Communication Styles**

The way people communicate varies widely between, and even within, cultures. One aspect of communication style is language usage. Across cultures, some words and phrases are used in different ways. For example, even in countries that share the English language, the meaning of "yes" varies from "maybe, I'll consider it" to "definitely so," with many shades in between.

Another major aspect of communication style is the degree of importance given to non-verbal communication. Non-verbal communication includes not only facial expressions and gestures; it also involves seating arrangements, personal distance, and sense of time. In addition, different norms regarding the appropriate degree of assertiveness in communicating can add to cultural misunderstandings. For instance, some white Americans typically consider raised voices to be a sign that a fight has begun, while some black, Jewish and Italian Americans often feel that an increase in volume is a sign of an exciting conversation among friends. Thus, some white Americans may react with greater alarm to a loud discussion than would members of some American ethnic or non-white racial groups.

### **Different Attitudes Toward Conflict**

Some cultures view conflict as a positive thing, while others view it as something to be avoided. In the U.S., conflict is not usually desirable; but people often are encouraged to deal directly with conflicts that do arise. In fact, face-to-face meetings customarily are recommended as the way to work through whatever problems exist. In contrast, in many Eastern countries, open conflict is experienced as embarrassing or demeaning; as a rule, differences are best worked out quietly. A written exchange might be the favored means to address the conflict.

### **Different Approaches to Completing Tasks**

From culture to culture, there are different ways that people move toward completing tasks. Some reasons include different access to resources, different judgments of the rewards associated with task completion, different notions of time, and varied ideas about how relationship-building and task-oriented work should go together. When it comes to working together effectively on a task, cultures differ with respect to the importance placed on establishing relationships early on in the collaboration. A case in point, Asian and Hispanic cultures tend to attach more value to developing relationships at the beginning of a shared project and more emphasis on task completion toward the end as compared with European-Americans. European-Americans tend to focus immediately on the task at hand, and let relationships develop as they work on the task. This does not mean that people from any one of these cultural backgrounds are more or less committed to accomplishing the task, or value relationships more or less; it means they may pursue them differently.

### **Different Decision-Making Styles**

The roles individuals play in decision-making vary widely from culture to culture. For example, in the U.S., decisions are frequently delegated -- that is, an official assigns responsibility for a particular matter to a subordinate. In many Southern European and Latin American countries, there is a strong value placed on holding decision-making responsibilities oneself. When decisions are made by groups of people, majority rule is a common approach in the U.S.; in Japan consensus is the preferred mode. Be aware that individuals' expectations about their own roles in shaping a decision may be influenced by their cultural frame of reference.

### **Different Attitudes Toward Disclosure**

In some cultures, it is not appropriate to be frank about emotions, about the reasons behind a conflict or a misunderstanding, or about personal information. Keep this in mind when you are in a dialogue or when you are working with others. When you are dealing with a conflict, be mindful that people may differ in what they feel comfortable revealing. Questions that may seem natural to you -- What was the conflict about? What was your role in the conflict? What was the sequence of events? -- may seem intrusive to others. The variation among cultures in attitudes toward disclosure is also something to consider before you conclude that you have an accurate reading of the views, experiences, and goals of the people with whom you are working.

## **Different Approaches to Knowing**

Notable differences occur among cultural groups when it comes to epistemologies -- that is, the ways people come to know things. European cultures tend to consider information acquired through cognitive means, such as counting and measuring, more valid than other ways of coming to know things. Compare that to African cultures' preference for affective ways of knowing, including symbolic imagery and rhythm. Asian cultures' epistemologies tend to emphasize the validity of knowledge gained through striving toward transcendence. (*Nichols, 1976*) Recent popular works demonstrate that our own society is paying more attention to previously overlooked ways of knowing.

You can see how different approaches to knowing could affect ways of analyzing a community problem or finding ways to resolve it. Some members of your group may want to do library research to understand a shared problem better and identify possible solutions. Others may prefer to visit places and people who have experienced challenges like the ones you are facing, and touch, taste and listen to what has worked elsewhere.

## **Respecting Our Differences and Working Together**

In addition to helping us to understand ourselves and our own cultural frames of reference, knowledge of these six patterns of cultural difference can help us to understand the people who are different from us. An appreciation of patterns of cultural difference can assist us in processing what it means to be different in ways that are respectful of others, not faultfinding or damaging.

Anthropologists Avruch and Black have noted that, when faced by an interaction that we do not understand, people tend to interpret the others involved as "abnormal," "weird," or "wrong." (*Avruch and Black, 1993*) This tendency, if indulged, gives rise on the individual level to prejudice. If this propensity is either consciously or unconsciously integrated into organizational structures, then prejudice takes root in our institutions -- in the structures, laws, policies, and procedures that shape our lives. Consequently, it is vital that we learn to control the human tendency to translate "different from me" into "less than me." We can learn to do this.

We can also learn to collaborate across cultural lines as individuals and as a society. Awareness of cultural differences doesn't have to divide us from each other. It doesn't have to paralyze us either, for fear of not saying the "right thing." In fact, becoming more aware of our cultural differences, as well as exploring our similarities, can help us communicate with each other more effectively. Recognizing where cultural differences are at work is the first step toward understanding and respecting each other.

Learning about different ways that people communicate can enrich our lives. People's different communication styles reflect deeper philosophies and world views which are the foundation of their culture. Understanding these deeper philosophies gives us a broader picture of what the world has to offer us.

Learning about people's cultures has the potential to give us a mirror image of our own. We have the opportunity to challenge our assumptions about the "right" way of doing things, and consider a variety of approaches. We have a chance to learn new ways to solve problems that we had previously given up on, accepting the difficulties as "just the way things are."

Lastly, if we are open to learning about people from other cultures, we become less lonely. Prejudice and stereotypes separate us from whole groups of people who could be friends and partners in working for change. Many of us long for real contact. Talking with people different from ourselves gives us hope and energizes us to take on the challenge of improving our communities and worlds.

## **Guidelines for Multicultural Collaboration**

Cultural questions -- about who we are and how we identify ourselves -- are at the heart of *Toward a More Perfect Union in an Age of Diversity*, and will be at the heart of your discussions. As you set to work on multicultural collaboration in your community, keep in mind these additional guidelines:

- Learn from generalizations about other cultures, but don't use those generalizations to stereotype, "write off," or oversimplify your ideas about another person. The best use of a generalization is to add it to

your storehouse of knowledge so that you better understand and appreciate other interesting, multi-faceted human beings.

- Practice, practice, practice. That's the first rule, because it's in the doing that we actually get better at cross-cultural communication.
- Don't assume that there is one right way (yours!) to communicate. Keep questioning your assumptions about the "right way" to communicate. For example, think about your body language; postures that indicate receptivity in one culture might indicate aggressiveness in another.
- Don't assume that breakdowns in communication occur because other people are on the wrong track. Search for ways to make the communication work, rather than searching for who should receive the blame for the breakdown.
- Listen actively and empathetically. Try to put yourself in the other person's shoes. Especially when another person's perceptions or ideas are very different from your own, you might need to operate at the edge of your own comfort zone.
- Respect others' choices about whether to engage in communication with you. Honor their opinions about what is going on.
- Stop, suspend judgment, and try to look at the situation as an outsider.
- Be prepared for a discussion of the past. Use this as an opportunity to develop an understanding from "the other's" point of view, rather than getting defensive or impatient. Acknowledge historical events that have taken place. Be open to learning more about them. Honest acknowledgment of the mistreatment and oppression that have taken place on the basis of cultural difference is vital for effective communication.
- Awareness of current power imbalances -- and an openness to hearing each other's perceptions of those imbalances -- is also necessary for understanding each other and working together.
- Remember that cultural norms may not apply to the behavior of any particular individual. We are all shaped by many, many factors -- our ethnic background, our family, our education, our personalities -- and are more complicated than any cultural norm could suggest. Check your interpretations if you are uncertain what is meant.

*by Marcelle E. DuPraw, National Institute for Dispute Resolution  
and Marya Axner, Consultant in Leadership Development & Diversity Awareness*

## **Guide**

### ☺ **COMPREHENSION**

#### **I. Explain what the following means.**

1. prejudice
2. national origin
3. to acquire a new culture
4. non-verbal communication
5. assertiveness
6. weird

#### **II. Answer the questions.**

1. Is communication considered to be a hard process?
2. Why is culture at the root of communication challenges?
3. What is the simplest definition of 'culture'?
4. What plays the key role in shaping people as representatives of different cultures?
5. What aspects of communication styles do you know? Why are they important?
6. Do attitude of different nations towards conflicts differ?

7. What nations try to build up relationship at the beginning of a shared project?/ Let relationship develop in the process of work?
8. What does the notion 'disclosure' mean?
9. Why do we need to know about people's cultures?
10. Are there any differences between 'generalization' and 'stereotype'?
11. What is an assumption?
12. Does to find a person to blame in a conflict mean to solve the conflict?
13. What does 'to put yourself in the other person's shoes' mean?
14. Which of the guidelines do you consider the most important? Which of them have you used?

☺ **WORD STUDY**

**I. Match the words with their definitions.**

1. bias	a. a demanding or stimulating situation, career, object, etc.
2. challenge	b. the act of working with another or others on a joint project
3. to hinder	c. to hamper, prevent
4. collaboration	d. to give or commit (duties, powers, etc.) to another as agent or representative
5. to delegate	e. the act of revelation
6. disclosure	f. mental tendency or inclination, esp. an irrational preference or prejudice

**II. A) Match two columns to make word combinations.**

**B) Make up three sentences using these word combinations.**

cross-cultural	distance
multicultural	work
personal	problem
task-oriented	communication
community	dialogue

**III. Fill in the gaps with the right forms of the words from the box.**

emphasize	miscommunication	acknowledge	patronize	approach
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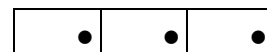
1. Few of the workers have ... the director about their working conditions.
2. We hasten to ... receipt of your letter.
3. She ... the importance of the forthcoming conference to me.
4. The contract has to be flexible enough to adapt to changes so that both parties can sidestep ... and finger-pointing.

5. You have to make your own decision about whether to ... a store with a rigid refund or exchange policy.

### ☺ FOLLOW-UP ACTIVITY

**You are going to prepare a group of international managers to run a long-term project in Belarus. Speak on how fundamental patterns of cultural differences can affect the process of establishing business relationship in Belarus.**





## Are Leaders Born or Made?

### ☺ PRE-READING TASK

**What do you think: are leaders born or made?**

**What makes a good leader?**

For centuries people have debated whether leaders are born or made. Several decades ago researchers started trying to answer the question. The debate goes on, even though we know the answer. It turns out to be a little of both. Leaders are sort of born and they're always made. Knowing the details will help you develop effective leaders for your company.

#### Leaders are Sort of Born

It seems like there's only one thing that a person needs to actually be born with in order to be a leader later in life. That's intelligence. A leader needs to be smart enough.

Effective leaders aren't necessarily the smartest people in the room or the company or even on the team. But they have to be smart enough to do the job they're assigned.

What's more important is what kind of person the potential leader is when he or she becomes an adult. The person who emerges from adolescence into young adulthood has the psychological and character traits they'll demonstrate for the rest of their life. Some of those matter for leadership.

By the time a person becomes an adult we can tell if they can help other people achieve results. That, after all, is what we expect leaders to do. We expect them to achieve success through a group. We expect them to help their subordinates grow and develop.

By the time a person becomes an adult, we can tell if they want to achieve objectives or if they just want to go along and take it easy. We expect leaders to be responsible for achieving results. You can have a marvelous life without a results focus, but if you're going to lead successfully you have to have the drive and willingness to be measured by the results of your leadership.

By the time a person becomes an adult, we can tell if they are willing to make decisions or not. Lots of people wake up every day and let the world happen to them. But leaders must be able and willing to make decisions that affect themselves and others.

By the time a person becomes an adult we can tell if they have the basic qualities that we expect leaders to have. We can determine if they're smart enough to do the job. We can tell if they are willing to help others to achieve results as a group. And we can tell if they will make decisions.

Those things are essential. People who have them can learn the multiple skills it takes for them to become effective leaders.

No matter how they measure up on the key essentials, no one emerges from the womb or from adolescence with all the skills in place to be an effective leader. Everybody has to learn the job. That's why leaders are always made.

#### Leaders are Always Made

Leadership can be learned by anyone with the basics. But an awful lot of leadership cannot be taught.

That's because leadership is an apprentice trade. Leaders learn about 80 percent of their craft on the job.

They learn from watching other leaders and emulating their behavior. They choose role models and seek out mentors. They ask other leaders about how to handle situations.

Leaders improve by getting feedback and using it. The best leaders seek feedback from their boss, their peers and their subordinates. Then they modify their behavior so that they get better results.

Leaders learn by trying things out and then critiquing their performance. The only failure they recognize is the failure to learn from experience.

In their book, *Geeks and Geezers*, Warren Bennis and Robert Thomas identify the special power of what they call "crucibles." These are trials which teach hard lessons that leaders use as the basis of their strength in later crises. Many of these events can be called "failures," but leaders turn the bad situation to good by learning from it.

Effective leaders take control of their own development. They seek out training opportunities that will make a difference that will make a difference in their performance.

Effective leaders look for training programs that will help them develop specific skills that they can use on the job. Then, when they return to work, they devote specific, deliberate effort to mastering in real life what they learned in the classroom.

Marshall Goldsmith and Howard Morgan studied the progress of 88,000 managers who had been to leadership development training. The people who returned from the training, talked about it, and did deliberate work to apply their learning were judged as becoming more effective leaders. The ones who didn't showed no improvement.

If you're responsible for leadership development for your company, you should structure your support for your leaders to recognize that most leadership learning happens on the job. Help people develop leadership development plans. Help them select specific skills training and then work on transferring skills from the training to the job. Help them find role models, mentors and peers to discuss leadership issues.

Help your leaders get feedback from their boss, peers and subordinates. Work to create the culture of candor that will make that feedback helpful and effective.

Don't stop there. Make sure that you evaluate your leaders on their leadership work. Reward them and hold them accountable for accomplishing the mission through the group. And hold them accountable for caring for their people and helping them grow and develop.

### **A Leader's Growth is Never Done**

Leadership learning is a lifetime activity. You're never done because there's always more to learn. There are always skills you need to improve.

Effective leaders seek out development opportunities that will help them learn new skills. Those might be project assignments or job changes. What they have in common is that the leader develops knowledge and skills that can be used elsewhere.

Effective leaders also seek out opportunities that will increase their visibility. The fact is that great performance alone will not propel you to the top in your career. You also have to be visible to people who make decisions about promotions and assignments.

If you're responsible for developing leaders in your company, set up programs to give your leaders both kinds of development opportunities over the course of their careers.

There's no magic formula for developing quality leaders in your company. But if you select potential leaders with the essential traits, then support them with training, feedback, on-the-job learning and development experiences and hold them accountable for results, you'll have the leaders you need to shape your company's future.

Have you ever wondered why some people make it to leadership and others don't? There is a mystery about how leaders become leaders. Some people are born with all the right qualifications but don't make it. Others are born into very lowly positions and rise to lead millions.

It is hard not to conclude that there is no simple, one-size-fits-all path to leadership, but that leadership depends on a complex and mysterious mix of variables. Here are 7 of those variables.

**1. Traits.** Most people agree that their leaders should demonstrate certain traits. It's just that not everyone can agree what they should be. For example, when a symposium of CEO's were asked for their top 10 leadership qualities, they included tenacity, passion, persuasiveness and confidence, but didn't mention the one quality of leadership that Walt Disney prized above all others, courage. In another survey for Ajilon, 600 employees voted their top leadership quality as "leading by example", followed by ethics. It seems that there are even variables within this variable.

**2. Leadership Drives.** On a much simpler level, David McClelland says that, to be a successful leader, you need spade-fuls of the drive to power. Even with all the qualities mentioned in (1) above, if your main drive at work is for affinity or achievement, rather than power, you won't make it to the top. You actually have to want to be in charge of others.

**3. Made or Born?** There is an unresolved debate about whether leaders are born or made. Some people argue that birth into certain environments pre-destines some of us to be leaders. This is the principle behind hereditary monarchies and business dynasties. Others argue that merely being first-born creates leadership qualities of its own. All the following were first-born: Winston Churchill, William the Conqueror, George Washington, Alexander the Great, Joan of Arc, F.D.Roosevelt. Of course, that could be a quirk of statistics and doesn't account for mesmeric leaders who were not first-born, such as John F.Kennedy.

**4. Education and Formative Experiences.** When leaders of business are asked what formative experiences influenced them most to become leaders, many recall traumatic events in their childhood or youth that inspired. Others took a more normal path by attending the most prestigious business schools. Nobody wants a leader who doesn't know what they're doing. The stories of incompetent generals in wars from the Crimea to World War One are legendary. Fiedler found that, in high-stress situations, leaders call upon experience before competence. In low-stress situations, it's the other way round, with intelligence being more valuable than experience.

**5. Circumstances.** Often these are people who were failed leaders, voices in the wilderness, or discarded men and women, like the Churchill of 1940.

**6. Followership.** Soren Oberg calls this a leader's charismatic power. It has little to do with traditional power, such as status, connections and rewards and more to do with their visibility, their sexual attractiveness, and their ability to empathize with the needs of their followers. Trying to analyse leadership is a bit like dismantling a Stradivarius violin to see where its beauty comes from. You'll spoil its beauty and be none the wiser.

### **From Manager to Leader**

Ask anyone and they'll tell you. There's a difference between managers and leaders.

Ask them what that difference is and they may have a bit more difficulty. Suddenly the words become amorphous and undefined. Somehow leadership is an intangible - a charismatic component that some people have and others simply don't. That's why, according to the ubiquitous "they", it is such a rarity.

Wrong.

The difference between being a manager and being a leader is simple. Management is a career. Leadership is a calling.

You don't have to be tall, well-spoken and good looking to be a successful leader. You don't have to have that "special something" to fulfill the leadership role.

What you have to have is clearly defined convictions - and, more importantly, the courage of your convictions to see them manifest into reality.

Only when you understand your role as guide and steward based on your own most deeply held truths can you move from manager to leader.

Whether the group you oversee is called employees, associates, co-workers, teammates or anything else, what they are looking for is someone in whom they can place their trust. Someone they know is working for the greater good - for them and for the organization. They're looking for someone not only that they can - but that they *want* to - follow.

Because it is only when you have followers -people who have placed their trust in you - that you know you have moved into that leadership role. And the way you see it is that your organization is transcending all previous quality, productivity, innovation and revenue achievements. You're operating at such a high level of efficiency that you're giving budget back to the corporation - and you're still beating your goals.

You're achieving what you always dreamed could be achieved. And not only that, but it's actually easier than you thought.

Because you're a leader. Because the classic command and control management model - which, contrary to popular belief still applies even in our most progressive 21st century companies - is no longer in play. Sure, controls are in place. Sure, you're solving problems that arise.

To keep going despite set backs, is the hallmark of all successful entrepreneurs and business leaders. While much has been written about the managerial challenges of running a business, less has been written about the characteristics underlying great leadership. This article describes nine psychological characteristics of great leadership.

#### ***Leadership Characteristic 1: Self-Esteem***

Underlying everything, is a high sense of one's own self-worth. Without that, individuals will never undertake tough challenges. If one does not have it, it's important to develop self-esteem.

#### ***Leadership Characteristic 2: Need to Achieve***

This need has been associated with entrepreneurs and leaders who constantly seek to perform at their best. For example, this leadership characteristic would have described Oliver Cromwell (1599 to 1658) the Lord Protector of England, who once remarked, "He who stops being better, stops being good." The great Harvard psychologist David McClelland is most associated with need for achievement, a need learned by children primarily from their parents (McClelland, 1965).

Individuals high in this need are open to feedback, are goal oriented, seek to be unique, and strive for accomplishments based on their own efforts—characteristics important to effective leadership. They also take risks, not extreme risks, but moderate ones.

And what is moderate risk? Moderate risk means you have the ability to influence events, but don't have complete control. The key is that individuals believe they will be successful, but it is not a sure thing.

#### ***Leadership Quality 3: Screening For Opportunity.***

Like all individuals, leaders screen incoming information to separate the useful from the useless. However, successful entrepreneurs and business leaders screen incoming information to constantly seek new growth opportunities. They act like gold miners who must shift through tons of dirt to find those a few precious golden nuggets.

Unfortunately, the vast majority of business people seem blind to new opportunities and so continually miss new ways to grow the business. Some would argue that it is not really finding opportunity, but getting lucky. Of course there are individuals who seem to have the knack of being in the right place and the time. For example, I have a good friend George who had escaped communist Romania in the early 1960s and made his way to the United States.

After being here for a while, he decided to start a leather goods business. Putting together a few samples, he then went out to talk to buyers about the possibility of getting started. Getting an appointment with the very first buyer, he showed his samples and got this response, "I'll buy everything you can sell me." He asked why he was so fortunate and the buyer responded, "I wanted to drop our previous vendor since he was ripping us off" From this "lucky" start, George went on to develop an extremely successful business—becoming a millionaire many times over. One could argue that he was lucky or that he capitalized on an opportunity missed by competitors.

#### ***Leadership Characteristic 4: Locus of Control***

Successful leaders and entrepreneurs typically show a high internal locus of control (Lee, 2001). In many different studies done over the years, those with a high internal locus of control are more likely to experience success, than individuals who are high on the external locus of control. When someone perceives events as under the control of others, fate, luck, the system, their boss, etc. they have an external locus of control. Individuals high on the internal locus of control have a different assumption about how the world works. They assume that any success they experience is due to their personal efforts and that they have the ability to influence events. Interestingly, internal also assume failure was also their fault.

#### ***Leadership Characteristic 5: Goal Orientation***

Businesses come and go, but those that last always share a common characteristic with their founder—a relentless drive to accomplish goals. They understand what the priorities are and continue to work at toward that goal, day in and day out.

For many, leadership characteristic of staying focused on a goal is a very difficult thing to do since life in the world of business tends to distract us. McKinsie in this book "The Time Trap" put it this way, "A man was struggling to cut down enough trees to build a fence. An old farmer came by, watched for a while, then quietly said, "Saw's kind of dull, isn't it?" "I reckon," said the fence builder. "Hadn't you better sharpen it? Said the

farmer. "Maybe later," said the man, "I can't stop now—I got all these trees to cut down." Our goal should be to continue to perfect ourselves, something we rarely have time for.

### ***Leadership Characteristic 6: Optimism***

Underlying successful entrepreneurial leadership is a boundless font of optimism that never seems to end. When faced with a problem, they view it as a challenge. When faced with a setback, they view it as a new direction, when told no, they say, "Maybe not now, but I know you'll change your mind later." This characteristic contrasts sharply with the vast majority of people who project a more pessimistic, defeatist quality. It's this belief in the positive that serves as the foundation for dealing with the many set-backs one will inevitably encounter in the world of business.

Young children naturally have a positive view which seems to turn more negative as they age. Parents can easily test this in children by asking the question, "What will you be when you grow up?" Young children confidently say, exactly what they want to be. However, ask a teenager the same question and they aren't so sure.

### ***Leadership Characteristic 7: Courage***

Many professors talk about entrepreneurs as risks takers. But this leadership characteristic is like saying snow is cold—it's accurate but missing something. Another way is to say the same thing is that one must have guts. It requires a great deal of courage to build a company from the ground up.

Someone once explained that large organizations function like "womb" protecting employees from a harsh and unforgiving environment. It takes a great deal of courage to leave a corporate or government womb and strike out by oneself into the cold, cruel world of business. When one first starts a business, one is alone.

### ***Leadership Characteristic 8: Tolerance to Ambiguity***

This term refers to a person's tolerance to uncertainty and risk. Entrepreneurs generally score high on this scale (Entrailgo, 2000).

As we age, we have a tendency to be more comfortable repeating a relatively small set of behaviors. For example, we eat pretty much the same food, shop in the same stores, watch the same programs, have lunch with the same people, listen to the same music, etc. One may change jobs, but rarely does one change industries. It's amazing how many people end up retiring in the same industry in which they got their first job.

If one's tolerance for ambiguity is low, one will gravitate toward large, established organizations—better still, work for the government where things change little if at all. In contrast to older, established organizations, entrepreneurial start-ups exist in an environment where almost everything is new and many things have not been done before. For example, no policies exist to guide action and start-ups typically lack the old timers who serve as the voice of experience.

### ***Leadership Characteristic 9: Strong Internal Motivation—The "Fire Inside"***

The motivation that drives our behavior comes from two sources: internal (intrinsic) and external (extrinsic). Intrinsic factors include constructs like needs, desires, motives, and will power. Extrinsic factors include any type of motivational influence from the environment such as rewards and punishments.

For entrepreneurs, the most important motivational factor is the intrinsic one. Entrepreneurs keep going despite the fact that employees tell them they are foolish, friends say they are wasting their time, and family tells them to get a real job. When the intrinsic drive goes away, so does any chance of success.

A few years ago, we put together a 160-hour program to teach very bright scientists and engineers how to put together an investor quality business plan. The thinking was that with the right knowledge and coaching, these future entrepreneurs would be able to get a seed round from investors and go on to build a fast growing organization. However, a number of these individuals never opened the doors. Why you might ask? It wasn't that they lacked knowledge and brilliance—it was a lack of desire, what we called the "fire inside."

## **From Manager to Leader, The Steps**

### ***First Steps***

Where to start? Begin by discovering exactly what your convictions are. Clarify and codify for yourself what you believe in. Then, take a nice step back and see how those beliefs are playing out in the organization as it stands today. Don't start with an organizational assessment based on the numbers or your opinions about others. This is not about "them." This is all about you.

*Ask yourself:*

What is important to me? What are my values, beliefs, ethics?

- \* How am I demonstrating those values, beliefs and ethics every day?
- \* Is the larger organization designed to support my values, beliefs and ethics?
- \* Where are the disconnects  $\checkmark$  within my immediate organization and for myself with the larger enterprise?
- \* What can I do to change how I behave with my immediate organization to demonstrate my belief in them?
- \* What additional assistance do my employees need to succeed  $\checkmark$  and how can I ensure that they get everything they need and more to create personal and organizational success?

Realistically, you'll go through this process not once, but many, many times. This is a periodic reality and cross-check to see how you're doing in your own context and, as you begin making changes, in the larger context. Because, while you can and should expect yourself and your immediate organization to make changes, you cannot - and should not - expect the larger organization to immediately respond or follow suit. This is a personal journey designed to assist you in being more - and helping those whose lives you touch to be more. Give the organization time. It'll get there. It's just a little bit slow.

### **What's Next?**

As you identify your convictions and begin aligning your behaviors with those convictions, you are going to need to take steps to build a collaborative culture based on where you're going.

To do that, seek input from your employees about what they need and what their dreams are for their jobs and the larger organization. (They have them, you know). Talk to internal and external customers and suppliers about their needs. Find out what more and what else you can be and do to create success. Enroll and engage in conversation and communication. Sit back. Listen. Take in as much as you can. Look for trends and themes. Find out where the possibilities are - the connects and disconnects that you can effect.

Be more. Be all those things you always believed about yourself - and usually bring to the rest of your life. Leaders aren't made or born. Leadership is a choice - a belief in and commitment to everything that is good and noble within you. Be a leader.

## **Guide**

### **☺ COMPREHENSION**

#### **I. Work in pairs. Do you think the following statements are true or false?**

1. Leaders are definitely born.
2. The most important quality of any leader is charisma.
3. We can tell that a person will make a good leader when they are kids.
4. Leaders have the same attitude to job responsibilities as other people.
5. Lot of leadership cannot be taught.
6. Leaders learn 100 % of their craft from books and manuals.
7. Leaders are apt to acknowledge their mistakes.
8. It usually takes few years to become an effective leader.
9. Potential leaders can train without any assistance.
10. It's difficult to say what traits are the most essential for being a good leader.
11. A leader must be humble.
12. There's a difference between managers and leaders.

#### **II. Answer the questions below.**

1. What qualities define a good leader?
2. What role does a mentor play in shaping a leader?

3. How can leaders improve by getting feedback from their boss, peers and subordinates?
4. What is a 'crucible'? Are crucibles important for leaders?
5. Why do effective leaders seek out development opportunities?
6. What are seven variables that leadership depend on?
7. What is 'leadership drive'?
8. What formative experiences influence people to become leaders?
9. How do you know that you've moved into a leadership role?

### III. Fill in the chart.

A good leader needs...	A good leader avoids...
To strive for self-perfection	Being indifferent to their subordinates' needs
...	...

## ☺ WORD STUDY

### I. Match two columns to make word-combinations.

1. apprentice	a. situations
2. emulate	b. leaders
3. handle	c. behavior
4. evaluate	d. leaders
5. accomplish	e. learning
6. development	f. path
7. on-the-job	g. with the needs
8. one-size-fits-all	h. trade
9. mesmeric	i. events
10. recall	j. goals
11. empathize	k. opportunities
12. beat	l. missions

### II. A) Match the synonyms.

### B) Match the antonyms.

1. debate	a. arise	1. willingness	a. failure
2. emerge	b. teammate	2. essential	b. cowardice
3. critique	c. dispute	3. development	c. impassivity
4. master	d. vocation	4. courage	d. mediocrity
5. affinity	e. subdue/manage/overcome	5. achievement	e. setback
6. subordinate	f. impulse/motivation	6. discard	f. forget
7. conviction	g. appoint/designate	7. passion	g. weak will
8. associate	h. assistant	8. dismantle	h. reluctance

9. oversee	i. review	9. recall	i. palpable
10. calling	j. persuasion	10. rarity	j. maintain/preserve
11. drive	k. supervise	11. intangible	k. immaterial
12. assign	l. kinship/inclination/bent	12. tenacity	l. assemble

### III. Guess the word.

- a) having reached maturity; fully developed A....
- b) under the authority or control of another S.....
- c) a wise or trusted adviser or guide M.....
- d) to attempt to equal or surpass, esp. by imitation E.....
- e) a person who is preoccupied with or very knowledgeable about computing G...
- f) the quality of being open and honest; frankness C.....
- g) a person who is an equal in social standing, rank, age, etc. P...
- h) information in response to an inquiry, experiment, etc. F.....
- i) relating to policies or approaches that are standard and not tailored to individual needs O..-....-....-....
- j) the power of understanding and imaginatively entering into another person's feelings E.....
- k) a person joined with another or others in an enterprise, business, etc.; partner; colleague C.-.....
- l) to impel, drive, or cause to move forwards P.....
- m) an individual peculiarity of character; mannerism or foible Q....
- n) holding (someone) as if spellbound M.....
- o) having or seeming to have the ability to be everywhere at once; omnipresent U.....

### IV. Translate the sentences from Russian into English.

1. Веками люди спорили на тему: «Лидерами рождаются или становятся?», но так и не смогли прийти к единому выводу.
2. Лишь когда человек становится взрослым, можно сказать, сможет ли он стать лидером, успешно добиваться поставленных целей и помогать своим подчиненным совершенствоваться.
3. Лидеры умеют учиться на собственных ошибках, получать полезные знания от общения с начальством, подчиненными и наставником.
4. Настоящие лидеры всегда находятся в поиске новых возможностей для развития своих способностей.
5. Если вы выявили потенциальных лидеров среди своих сотрудников, поддержите их: им необходимы ваше участие и возможности для проявления лидерских качеств.
6. Ведущие менеджеры перечислили наиболее важные качества лидеров: сильная воля, энтузиазм, убедительность, уверенность в себе и смелость.
7. Некоторые люди утверждают, что воспитание в семье предопределяет нашу судьбу. Считается также, что первенцы наделены большим количеством лидерских качеств.
8. Жизненный опыт многих общепризнанных лидеров существенно повлиял на становление их как личностей.
9. В ситуациях с большой долей стресса лидеры, как правило, опираются на свой жизненный опыт, в менее стрессовых - на интеллект.





## Regrettable Berlusconi

### What a pity Italy's prime minister does not use his political muscle to reform his country

THIS newspaper has never thought much of Italy's prime minister. In 1994, during Silvio Berlusconi's first brief stint in the job, we called on him to resign. In 2001, before his second, we declared that his frequent brushes with the law and the conflict of interest inherent in his ownership of almost all the country's commercial television channels made him unfit to lead Italy. (In any self-respecting democracy it would be unthinkable that the man assumed to be on the verge of being elected prime minister would recently have come under investigation for, among other things, money-laundering, complicity in murder, connections with the Mafia, tax evasion and the bribing of politicians, judges and the tax police. But the country is Italy and the man is Silvio Berlusconi, almost certainly its richest citizen.)

A year ago, as he campaigned for the job of prime minister for a third time, we advised Italian voters to back his main opponent, Walter Veltroni. (During his most recent spell in office, between 2001 and 2006, Mr Berlusconi did achieve modest improvements to Italy's unsustainable pension system and to its inflexible labour market. Much of his energy, though, was devoted to furthering his own, or his friends', interests. Some of his efforts took the form of laws (like the country's statute of limitations) that helped him to avoid conviction, some to attacks on the judiciary, some to the introduction of a voting system partly designed to keep him in power. In this he was disappointed, but the new system did lead—as intended—to a parliament in which a plethora of parties was represented, nine of the 39 in a centre-left government with a carpaccio-thin majority. Predictably, it carried out few reforms...) Yet Mr Berlusconi has gone from strength to strength, even as his country has not.

For the leader of a country in a dire recession, his popularity is startlingly high. Enough Italians appear to forgive, or at least overlook, his innumerable gaffes—whether on television talk-shows or at international summits. He has won plaudits for his energetic response to the earthquake in L'Aquila. His political grip is secure. On the right he is unchallenged, even though he will turn 73 in September. The centre-left opposition, which recently dumped Mr Veltroni, is making little headway. In short, Mr Berlusconi is more dominant than ever—indeed, disturbingly so.

Italy is certainly suffering: the IMF expects GDP to fall by 4.4% this year, a bigger drop than in Britain, France or Spain. But Mr Berlusconi remains significantly more popular than most other European leaders. His approval rating this month, measured by IPR Marketing for *La Repubblica's* website, actually rose to 56%.

Part of the explanation is that, after more than a decade of underperformance relative to the European Union, Italians are used to economic distress. And since their banks were less enterprising (or reckless) than those in America and Britain, none has collapsed so far, sparing Mr Berlusconi the politically lethal fallout from using taxpayers' money to save the hides of rich financiers. Yet his approval rating had been slipping—until the earthquake that hit L'Aquila on April 6th.

Mr Berlusconi's response to the earthquake seems to explain the latest uptick. He spent almost a week in the disaster zone and even offered to accommodate some survivors in his own homes. On April 23rd he went a daring step further, saying he would switch the venue of the G8 rich-country summit in July to L'Aquila, partly so as to divert funds towards the city's reconstruction. On the same day he announced a seemingly generous €8 billion (\$10 billion) in aid for the earthquake zone (it has since emerged that this will be spread over no less than 22 years).

Mr Berlusconi's response to the earthquake highlights another factor that his supporters claim explains his poll ratings. As one minister puts it, "this is the first government since the second world war to give Italians decisive leadership of a kind that is entirely normal in Europe." That contrasts with his previous period in power in 2001-06, when he had to deal with repeated internal revolts. Many were caused by the centrist Union of Christian Democrats, which split from the centre-right coalition before the April 2008 election that returned the right to power.

Mr Berlusconi's present government is far more homogenous. In March its two biggest components—his own Forza Italia and the National Alliance, which grew out of the neo-fascist movement—united in a single

entity, the People of Freedom. Of the two other coalition parties, only the Northern League has the parliamentary clout to bring the government down.

To Mr Berlusconi's critics, the explanation of his popularity is quite different. It is that he is reaping the benefit of a long-term influence on the views of his compatriots that no contemporary politician can rival. Every Italian under 30 has grown to political maturity in a country where Mr Berlusconi and his family control half the television output, one of four national newspapers, one of two news magazines and the biggest publishing house.

His hold on the media has changed attitudes and even the meaning of words. When he entered politics in 1994, few gave credence to his claim to be a victim of conniving communist judges; now it is widely believed. Fifteen years ago, an *azzurro* represented Italy in international sporting competitions and a *moderato* was a centrist. Today, an *azzurro* is somebody who represents Mr Berlusconi in parliament; a *moderato* anybody who votes for him.

The subtle Berlusconisation of Italy may help to explain a trend that has swept the country in the past 12 months. It is not only that the opposition has divided and the unions are split. It is that a conviction has gripped much of society that the prime minister will stay in power indefinitely. "I have to say that I see no alternative to Silvio Berlusconi," declared Gabriele Muccino, a film director and one of several intellectuals and artists who have recently voiced similar opinions. This is ironic in a country whose politicians spent 15 years working towards a two-party system. It augurs ill for future economic reforms, in which Mr Berlusconi has shown little interest. And it is also troubling in any democracy, especially when seen in the context of the prime minister's own words and actions.

His new party is as undemocratic in its form as Forza Italia was. He was acclaimed, not elected, leader at a founding congress last month that empowered him to appoint the executive. Mr Berlusconi routinely denigrates the judiciary and, since returning to power, has become increasingly dismissive of the legislature as well. His government's use of procedural devices to cut short parliamentary debate has even been criticised by his ally, Gianfranco Fini, former leader of the National Alliance and now speaker of the lower-house Chamber of Deputies. Mr Berlusconi has sought to justify this by arguing that the myriad checks and balances in the system make Italy ungovernable. But, as President Giorgio Napolitano retorted recently, such views pointed to "authoritarian solutions". After all, the system was put in place precisely to prevent the return of a dictator like Benito Mussolini.

Few believe that there is a serious risk of reverting to those dark days. But several recent books have highlighted the extent of Mr Berlusconi's ascendancy and asked questions about how he intends to exploit it. Massimo Giannini, author of one, argues that his aim is "not a dictatorship in the classic sense, but...a modern form of post-ideological 'totalitarianism'".

The most powerful reason to worry comes in Mr Berlusconi's own words. At his new party's inaugural congress, he reminded the 6,000 or so delegates that "sovereignty belongs to the people". But he also claimed that his was "the only party that defines the identity of our people". In fact, he said, "we have to be a people even more than a party". That smacks of pure populism.

Mr Berlusconi's supporters dismiss all such misgivings, insisting that his sole long-term objective is the presidency (albeit, perhaps, after a constitutional reform to make it more powerful). On April 25th, the day when Italians mark the 1945 Allied liberation, the prime minister offered support for the view that he aspires to lead the nation, not just the right. He took part for the first time in the celebrations. Later he withdrew a controversial bill that would have given honours and pensions to Mussolini's diehard militia.

But Mr Berlusconi also took the opportunity to suggest that the name of the holiday should be changed. It should not be the day of liberation but of freedom. As in, for example, the People of Freedom?

It is not just a question of worrying about one man's power. Italy's problems are also as daunting as ever. In a global crisis, its performance looks better, but only because other economies have fallen so fast. The IMF forecasts that GDP will shrink by 4.4% this year, less than in Germany but more than in Britain, France and Spain. Unemployment is still under 7%, but that partly reflects dreadful productivity, measured in output per person. Indeed, Italy is the only G7 rich country in which productivity has fallen in the past ten years. With real wages rising despite this, Italy is becoming less and less able to compete with other euro-area countries such as Germany.

Italy desperately needs more reform. According to the OECD, its product market is the most highly regulated in Europe. It has one of the worst records of implementing EU internal-market directives. Its labour market is sharply divided between protected, well-paid insiders and unprotected, temporary workers—one reason why youth unemployment is high. Educational standards are poor, research spending is low. The public finances remain a mess: although the budget deficit, at around 5% of GDP, is no longer exceptional, the public debt will rise above 120% of GDP in the next two years.

### A cavalier's chance

This should be a golden opportunity for Mr. Berlusconi. He surely cannot hope to become prime minister again in 2013. If he ever wants to reform Italy, now is the time. His government, which marks its first anniversary next week, has done some good things. It helped to fix the Naples rubbish crisis. It is shaking up public administration and the education system. It has even begun judicial reform, though here more than elsewhere the prime minister's motives are suspect. Yet the overall record suggests that Mr. Berlusconi is neither a liberal reformer nor a genuine believer in competition, but a businessman who went into politics principally to protect his own affairs, not to advance the cause of Italian business in general.

Italy has huge potential. Public debt may be high, but private debt is low. The banks are exposed to Eastern Europe, but so far none has had to be rescued. The turnaround of Fiat, which may now take over Chrysler, has been remarkable. The small exporting firms in the north have proved admirably nimble. If Mr. Berlusconi would only do more to loosen the shackles on the country's entrepreneurs, the results could be sensational. But Italians will probably have to wait till they see the back of him before that happens.

*Apr 30th 2009  
From The Economist*

## Guide

### ☺ COMPREHENSION

#### I. Answer the following questions.

1. What unethical things is Italian Prime Minister accused of?
2. What services has Berlusconi rendered to his country?
3. Why does Italian community overlook its Prime Minister's numerous gaffes?
4. What did you find out about Italian economic circumstances?

#### II. Explain the following.

- |                                |   |
|--------------------------------|---|
| 1. to be on the verge of smth. | 7. political grip                       |
| 2. money-laundering            | 8. to win plaudits                      |
| 3. tax evasion                 | 9. carpaccio-thin majority              |
| 4. to campaign for the job     | 10. to augur ill                        |
| 5. to back smb.                | 11. to loosen shackles on entrepreneurs |
| 6. plethora                    | 12. to reap the benefit                 |

#### III. Give a short summary of the text.

### ☺ WORD STUDY

- I. A) Match two columns to make word-combinations. B) Make up three sentences using these word combinations.

1. to voice	a. credence
2. to connive	b. an opinion
3. to give	c. smb's interests
4. to further	d. rating
5. to overlook	e. administration
6. approval	f. a judge
7. to shake up	g. gaffes

**II. Match the word with its definition.**

1. conviction	a. a feeling of uncertainty, apprehension, or doubt
2. diehard	b. obstinately resistant to change
3. misgiving	c. to belittle or disparage the character of; defame
4. to ally	d. a fixed or firmly held belief, opinion, etc.
5. to denigrate	e. to refrain from, punishing, harming, or injuring; to show mercy
6. compatriot	f. to unite or be united, esp. formally, as by treaty, confederation, or marriage
7. to spare	g. a fellow countryman

**III. A) Match the synonyms.**

**B) Match the antonyms.**

1. complicity	a. unsteady	1. stint	a. to undertake
2. bribe	b. accompliceship	2. to dump	b. to attract
3. to call on	c. palm-oil	3. homogeneous	c. submissiveness
4. unsustainable	d. to set free	4. to divert	d. diverse
5. to loosen	e. to urge	5. revolt	e. hobby

☺ **FOLLOW-UP ACTIVITY**

**You are supposed to give an interview with the Economist. Speak about a leader (political/business, etc.) whose activity seems to be vital for the economy, culture or politics of the country or the international community.**

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