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READ AND REFLECT

Учебно-методическое пособие
по английскому языку
для студентов экономических специальностей

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Настоящее учебное пособие составлено в соответствии с программой курса делового английского языка для студентов экономических специальностей. Учебное пособие содержит 14 дополнительных текстов к основному учебному пособию «Market Leader Upper Intermediate». Приводимые в пособии тексты могут быть использованы для занятий в аудитории, а также при самостоятельной работе студентов.

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СОДЕРЖАНИЕ

Unit 1	
AN INNOVATIVE SPIN ON CORPORATE COMMUNICATIONS	4
Unit 2	
IMPENETRABLE	12
Unit 3	
FROM BUY, BUY TO BYE BYE	20
Unit 4	
YOU'VE GOT TO FIND WHAT YOU LOVE	32
Unit 5	
GENERATION Y GOES TO WORK	41
Unit 6	
FAILED SEARCH	51
Unit 7	
LOOK FORWARD IN ANGER.....	66
Unit 8	
A CLOUDED FUTURE	79
Unit 9	
RECOVERY, VERY EARLY STAGE	85
Unit 10	
GENERATION Y AND BRANDS	91
Unit 11	
SCARING THE SALARYMEN.....	98
Unit 12	
BUSINESS.VIEW: SLICKER IMAGE-MAKING.....	106
Unit 13	
THE RYPPL E EFFECT.....	118
Unit 14	
WHEN TRADE PARTNERS ATTACK.....	125

UNIT 1



COMMUNICATION PROBLEMS



AN INNOVATIVE SPIN ON CORPORATE COMMUNICATIONS

PRE-READING TASK

I. Do you attach any importance to corporate spin or discount heavily on any corporate stories published in mass media? Why?

II. What are the ways to modify corporate communication with employees and outer world?

In the world of corporate communications, blandness and platitudes rule. Failures and bad news are air-brushed out of sight. Julian Birkinshaw calls for innovation – and honesty in the way companies communicate.

Companies invest enormous amounts of effort in communicating with external stakeholders and with their employees, but the message is usually little more than a sequence of optimistic platitudes. You never get to hear the two sides of the discussion that the board were preoccupied with when they made a decision, and you never see the account (let alone the warts-and-all vision) of why something went badly wrong. Contrary or heretical opinions are excoriated from the official record.

Isn't it a bit odd? One of the pillars of liberal democracy is the right to speak freely, and yet most companies offer no such liberties for their employees. Corporate communications end up looking more like an article from Pravda in the 1980s, or a tract of Orwellian newspeak, than something you would find in a Western newspaper.

The result of such desperately conservative line on corporate communications is entirely predictable. Take a typical “bad news” story such as a plant closure. The company releases its press release, or acknowledges the closure of its annual report. At the same time – or usually before the official story – the rumor mill grinds out its unofficial version of events, often corrupting it in the process; parts of the story get leaked to the press, who then put their own spin on it; and cynical employees gather around the coffee machine, sniping at their senior manager and wondering why they are not better informed.

The internet has magnified both the severity and the reach of this rumor mill. First came the anti-company websites, such as microsoftsucks.org and wallmartsucks.org, which created a convenient forum for embittered employees and aggrieved customers to share their grips. The rise of personal blogs subsequently gave even more power to individuals to tell the story their way. And while the first wave of blogs came from outsiders taking pot shots at a company, they were quickly followed by insiders – company employees putting their own spin on the official story, often with very little regard for corporate etiquette (e.g. scoble.weblogs.com).

We also see collective efforts to challenge the official corporate line. As an extreme case, Friends of the Earth published “The other Shell Report” in 2002, a carefully researched but highly one-sided analysis of Shell’s record on corporate responsibility from the point of view of those living in the shadow of Shell’s operation around the world. All of which accentuates the need for some real innovation around the message and the mode of corporate communications. The benefits of honest, grown-up communication are enormous – it generates buy-in, it stimulates productive debate, and it reduces the risk of untrue rumors spreading. And the risks are minimal, as the truth has a habit of coming out anyway. Of course there are boundaries here – especially for publicly-traded companies that face strict rules on corporate disclosures – but most companies don’t get anywhere near danger zone in terms of what they talk about, or how they say it.

A couple of examples of innovations in corporate communication to give a flavor of what is possible:

IBM held a “Values Jam” in 2003 where employees from all over the world could tap into a live discussions forum on its website about the company’s values. Despite many highly -critical postings (“the only value in IBM today is the stock price, CEO Sam Pamisans instead of letting the full range of viewpoints emerge, and the no-holds-barred discussion that followed led to a much more persuasive and widely-accepted value statement than anything a committee could have come up with.

The Guardian newspaper publishes an annual “social audit” to review its record on environment, social and ethical issues (see www.guardian.co.uk/social audit), which an independent auditor then comments on. And the results are not always positive: the 2006 review showed that Pearson (publisher of the Financial Times), not the Guardian, had the best record on environmentally responsible paper sourcing, and the auditor, Richard Evans, criticized the Guardian for its reporting on CO2 emissions. Such findings are not only refreshingly honest; they are also an expression of commitment to improvement.

These examples just scratch the surface of a deep, untapped well of opportunity in generating meaningful corporate communication. Just pick up any newspaper or magazine outside Cuba or North Korea for inspiration: how about appointing an independent editor to write your company newsletter? How about getting someone to write a counterpoint to the arguments made in the press release? How about encouraging your employees to set up their own blogs? (Microsoft has over 700 such people). Of course there are limits to this exercise – you don’t want to create unnecessary grist for the critic’s column, and you don’t want to encourage lawsuits. But the acid test is simple: if the other side of the story is going to emerge anyway, wouldn’t you like to have some say in how it gets out.

COMPREHENSION

I. Explain what these expressions from the article mean in your own words.

- ◇ external stakeholders
- ◇ optimistic platitudes
- ◇ heretical opinions
- ◇ pillars of liberal democracy
- ◇ corporate spin
- ◇ company insiders and outsiders
- ◇ social audit
- ◇ scratch the surface
- ◇ value statement
- ◇ warts – and- all version

II. As you read the text, identify and remember the main points and how they are related. Complete these Key ideas column with appropriate words and phrases from the text. Then complete the notes in the Detail column.

	Key idea	Details
1.	Corporate <i>communications</i> with external stakeholders and their employees sound like <i>corporate spin</i> .	There is a plethora of optimistic <i>platitudes</i> . You never hear the true account of events all <i>heretical opinions</i> are exorcised.
2.	The result of such a c-----e l--e on corporate communication is discouraging.	Before a company r-----s any official story, some information g---s l---ed to the press who then put their s--n on it. Cynical employees s---e at their senior managers and accentuate the lack of information.
3.	The i-----t gave rise to a huge amount of negative criticism. It m-----d both the s-----y and the reach of this r----r m--l.	First came the anti-company websites. They were followed by personal b---s which gave even more power to i-----s and o-----s to take p-t-s---- at a company.
4.	Nowadays some c-----e e-----s are observed to challenge the official corporate line.	Friends of the Earth published critical but one-sided analysis of Shell's c-----e r-----y.

5.	There are enormous benefits from honest and meaningful corporate communication but also some challenges for publicly traded companies.	Innovative, grown up communication generates buy-in, encourages positive dialogue and prevents spreading rumors. Still some companies have strict rules on corporate dialogue
6.	IBM held a “Values Jam” on its website in 2003 which let the full range of values emerge.	Participants could tap into a dialogue on its website about company’s values. This innovation resulted in persuasive values which were widely accepted.
7.	The Guardian newspaper has also expressed its commitment to improvement by publishing annual “social audit” which an independent auditor then comments on.	The results are not always positive but they bring refreshing benefits.
8.	There is a deep untapped well of opportunity in generating meaningful communication.	Nevertheless companies should stick to some limits if they don’t want to encourage lawsuits or create unnecessary litigation for the critic’s column.

FOLLOW-UP ACTIVITY

I. You work for a company with high level of CSR. What sort of bad news could be included into the company’s reports, press releases or ethical audits safeguarding its reputation?

II. What suggestions could you put into untapped well of meaningful corporate communication?

ADDITIONAL TEXTS FOR READING

Text 1

INNOVATIVE IDEAS FOR EMPLOYEE COMMUNICATION

With so much information saturating the corporate culture, employers are constantly on the lookout for new ways to get information to their employees by way of corporate communications. After all, even email has become a somewhat old-fashioned way of communicating, as more people use Blackberries and Web conferencing to give out information and pass messages to their employees. There are a number of innovative new ways that you can communicate with your employees. Two great ways include:

- **Instant messaging:** Almost every Web browser out there has an instant messaging feature these days and this can be a faster method of communicating than even email. Because the instant message alert pops up on the screen each time there is a message, this can be a quick way to communicate with employees working in the office as well as remotely. Beware of this option however: your employees may use it to chat about personal matters when they should be working.

- **Snap Communication tools:** One of the more unique methods of employer/employee communication on the market today, Snap Communication tools feature six distinct features that allow employers to get their message out to their employees without having to send a slew of individual messages. For example, the six Snap Communication channels include:

- **Snap Poll:** Want to know exactly what your employees think on a variety of issues? Let them take this quick and easy on-screen quiz that boasts an improved response rate because of its ease of use.

- **Snap Ticker:** Similar to what you see on CNN, these scrolling tickers will give your employees critical updates and disseminate important company information with the click of a button.

- **Snap Quiz:** On-screen quiz features will help you get an idea of where your employees might be weak in terms of company policy. There is an automated scoring option that takes the work out of getting all of the results.

- **Snap Mag:** A replacement for your company newsletter, this electronic version can help reduce the amount of group emails you have to send to virtually nothing.

- **Snap Alert:** These desktop alerts pop up on the screen as soon as you send out information that has to get to your employees NOW! This is the best way to ensure that your messages take priority over all of the other virtual clutter on your employee's computer.

- **Snap Shots:** These screensavers act as billboards, broadcasting your message and ensuring that it is being reinforced every time your employee is forced to view it. A great way to get some core company concepts across.

Effective employee communication is the key to good management and communication between employers and their employees. Both of these methods will ensure that you are keeping up with changes in technology that allow you to communicate more easily with your employees and continue to strive for professional excellence and communication in your place of business.

Text 2

EFFECTIVE COMMUNICATION

Organizations have struggled to find the best way to get company communications to their employees for years. These communications can range from notices of service interruptions to announcements of corporate events. But is anyone really listening? Communication is a two-way street; it requires a sender and a receiver. If no one is listening, you're just a crazy person talking to yourself.

Anyone involved with corporate communications needs to be aware of their receivers' habits and idiosyncrasies before deciding on message and medium. It wouldn't make sense to use technology-based communications with an audience who's not tech-savvy without first providing them with adequate training; or to post an important announcement on a bulletin board when

most users rely solely on their intranet for news. An understanding of the audience will help determine the best medium to use in order to get your message across.

Communication mediums can be classified into two methods: the sender pushes the message to the receiver (e.g., sending an e-mail) or the receiver pulls the message from a source (e.g., reading an intranet post). In the '90s, the IT industry was abuzz with the concept of push technology, a method of delivering content to users' desktop without requiring them to actively seek it out. The technology, however, never lived up to its hype (see my article "Push Technology: Still Relevant After All These Years?" for more on this) and communications fell back to old stalwarts: the intranet and e-mail. But they have their problems too.

Posting corporate communications on an intranet requires employees to access the system repeatedly because they won't know when new information will be posted. There's a good chance that some employees will miss an important announcement because they were busy with other things and don't get the chance to check when the communication was posted.

E-mail has the ability to alert every employee once a communication is sent, but there are uncontrollable factors that hinder its effectiveness as a corporate communications medium. E-mail failed through no fault of its own, and was perhaps a victim of its own success.

E-Mail, what happened to You?

The advent of e-mail changed the way organizations communicated with their employees in a big way. Rather than post and send out large quantities of paper-based announcements, a single e-mail message could be sent to all employees at the same time, regardless of their geographic location. At the time, e-mail was the biggest advancement in corporate communication — until users just stopped reading them.

So what happened? Has e-mail outlived its usefulness as an internal corporate communications medium? The answer is yes and no. It's still a big part of corporate communication, but it's lost a lot of its effectiveness. There's perhaps no bigger contributor to this decline than spam.

E-mail has been contaminated by so much junk that it's difficult to get an important message across. Users might give a company announcement a cursory glance and pass it by thinking it's just more unsolicited mail; or they might set-up e-mail filters so restrictive that the message never even makes it through. With the sheer volume of e-mail that comes pouring in daily, employees may simply treat these types of internal communications as white noise and ignore them. And with the time-sensitive nature of corporate communications, it might be too late when users finally discover the message.

Problems with E-mail as a Corporate Communications Tool

- Difficult to grab users' attention since messages are indistinguishable from all other e-mail
- Messages can be mistaken for spam
- Messages can be stopped by users' restrictive e-mail filtering
- Employees have no choice as to what they receive

Corporate Communication encodes and promotes:

- strong corporate culture
- coherent corporate identity
- reasonable corporate philosophy
- genuine sense of corporate citizenship
- an appropriate and professional relationship with the press
- quick, responsible ways of communicating in a crisis
- understanding of communication tools and technologies
- sophisticated approaches to global communications

Corporate Communication Writers

Staff from many departments can be responsible for writing communications. Many people in a corporation are responsible for writing corporate communications. Messages which are aimed at shareholders or investors are typically written by the staff of the Investor Relations Department, while messages aimed at the general public are written by Public Relations staff members.

Internal communications are almost always written by employee relations staff. Each message is tailored to fit the audience it addresses, however the goal of corporate communication is to ensure consistency in all messages for the purpose of maintaining company image and culture.

Bad Corporate Communication

Negativity about the organization can arise from bad corporate communication. Bad corporate communication is the result of not having a communication plan in place prior to significant events or changes. It is also the result when a company makes the conscious choice not to share information about an event because it may appear controversial to the public or internally.

In each of these instances, information eventually leaks into the organization or to the public and creates negative impressions about the company. Bad corporate communication can also be the result of a message sent from a leader who does not sensor his emotions appropriately when he is communicating.

Examples of Bad Corporate Communication

Communication leaks are a result of poor corporate communication. One example of bad corporate communication is the company that is in discussions with another company about a potential merger. The corporate leadership has decided not to inform their public about the discussions because of the questions it would raise. Eventually, bad information leaks into the organization.

Another example is a senior manager who is angry about rising office supply costs. In an effort to cut costs, the manager accuses employees of being wasteful and threatens to start counting the numbers of pens in each person's desk.

Results of Bad Corporate Communication

Shareholders who lose trust in an organization may decide to invest elsewhere. Bad corporate communication can lead to poor workplace morale, shareholder distress and financial loss. When news about an upcoming change leaks into an organization because it was not shared properly, employees begin to feel devalued and employee morale drops. Overtime, poor morale leads to turnover and eventually poor performance by the company. Additionally, shareholders who begin to hear rumors about an upcoming change prior to being told by the corporation may begin to lose trust in the organization. Overtime, lack of trust can cause these investors to withdraw their assets.

How to Avoid Bad Corporate Communication

Communicate change quickly rather than waiting for information to leak. It is essential to have a standard communication plan in place and refer to it regularly to avoid bad corporate communication. When a change is about to occur, communicate as quickly as possible rather than wait for small pieces or inaccurate information to leak. Be sure to explain why the change was important and the benefit it creates for the organization.

UNIT 2



INTERNATIONAL MARKETING



IMPENETRABLE

Selling foreign goods in China

PRE-READING TASK

- I. What makes Chinese market so attractive for Western companies?**
- II. What obstacles may prevent them from doing well in China?**
- III. Which brands have a good chance with Chinese consumers?**

Despite widespread hope that China will help pull the world out of recession, foreigners are finding it as arduous as ever to do business there

EVERY year, says Paul French, head of Access Asia, a research firm based in Shanghai, the same company buys the same report from him on the market for a particular product in China. That is because each year the company in question sends a new executive to China with instructions to break into the local market, who soon departs in despair—having failed to find an opening given the (brief) time and (insufficient) resources allotted.

Mr. French's customer is not alone. China accounts for less than 2% of the global sales of drugs giants such as Pfizer, AstraZeneca and Bayer, estimates IMS, another research firm. Procter & Gamble (P&G), a consumer-goods giant, is reckoned to generate only a bit over \$3 billion annually in China, less than 5% of its overall sales. Unilever is thought to sell less than half as much; its local operations are barely profitable. AIG, an American insurance firm, was founded in Shanghai and has won greater access to China than many of its competitors. But its operations are still restricted to just eight cities. Analysts suspect its revenues in China are less than in Taiwan, a country with 2% of the population and stiffer competition.

The promise—and frequent disappointment—of doing business in China has been a common theme since at least the 19th century, when weavers in Manchester were said to dream

of adding a few inches to every shirttail in China. Thanks to recession at home, foreign firms are keener than ever to capitalize on China's growth. But Europe and America's exports to China have remained broadly flat over the past year and amount to less than 7% of the total, even though shrinking exports to other countries flatter the figure. Even if the Chinese economy grows by the official target of 8% this year, the impact on Western firms' total sales would be little more than a rounding error, says Ronald Schramm, a visiting professor at the Chinese European International Business School.

Many foreign firms, of course, are doing well in China, especially at the two extremes of the value chain: things like luxury goods, fiber-optic cable and big aero planes on the one hand, and oil, ores and recyclable waste on the other. But in between, both explicit legal impediments and hidden obstacles continue to hamper access to Chinese customers, despite China's promises of reform when it joined the World Trade Organization (WTO) in 2001. Publishing, telecommunications, oil exploration, marketing, pharmaceuticals, banking and insurance all remain either fiercely protected or off-limits to foreigners altogether. Corruption, protectionism and red tape hamper foreigners in all fields.

Recent reports from three lobbies for foreign businesses, the American Chamber of Commerce in Shanghai, the European Chamber of Commerce in China and the US-China Business Council, bear out this gloomy view. Their biggest gripes have nothing to do with typical business concerns, such as the availability of good staff or high costs. Instead, they complain about subsidized competition, restricted access, conflicting regulations, a lack of protection for intellectual property and opaque and arbitrary bureaucracy.

To operate in China, the Council itself must provide documents from America's State Department, the Chinese Embassy in America, the cities of Washington and Shanghai, the local tax authorities and the local branch of the State Administration for Industry and Commerce. It takes six months to obtain a one-year license. At least there is an established procedure, albeit a costly and cumbersome one. Others are not so lucky: upon joining the WTO, China agreed to allow foreign firms to compete to offer booking systems to local airlines, but according to the European Chamber it has not yet produced the necessary regulations.

Local officials go to great lengths to protect companies on their patch, often by giving them preferential access to land or credit, or by easing bureaucratic constraints for them. All the red tape would at least provide plenty of work for multinational law firms, were they permitted to employ Chinese lawyers—which they are not. The government, by dint of its control of the media, also controls advertising rates. That makes the cost of reaching a consumer in China higher than in many Western countries, although the potential rewards are much lower since most Chinese are so much poorer, says Tom Doctoroff, the boss of JWT, an advertising firm. There is little reliable business news.

Firms that have managed to overcome these obstacles tend to produce locally in China; their products are perceived to be of high quality (few foreigners succeed by undercutting prices) and they have invested tremendous amounts of time and effort building distribution networks and raising awareness of their brands. Take Goodyear, an American tire maker. It has had to find local partners for all of its 760 dealerships in China, who in turn had to obtain permits from the authorities. It has got around the state monopoly on advertising by deploying its trademark blimps, and pre-empted objections to that by using them to advocate a worthy cause: safe driving.

As always, there are local tastes to consider too. Chinese consumers seem to have even more of a taste for variety than most. P&G produces its Crest brand of toothpaste in a mouth-

watering array of flavors, including lemon, tea, strawberry, salt and honey. A similar proliferation of offerings has served Nokia, the world's biggest handset-maker, well too.

One strategy that has brought success to several foreign firms has been to charge high prices—a surprise, given those earnings in China remain quite low. A survey by the Nielsen Company concludes that Chinese believe that foreign brands are more expensive, even when they are not. That suggests that they should aim to compete on quality rather than cost. At any rate, Apple, General Motors and Levi Strauss all sell certain products at higher prices in China than elsewhere. So do many luxury brands. But relatively few foreign firms have managed to reap such rewards.

(Business Oct 15th 2009. Shanghai. | from the print edition)

COMPREHENSION

I. True or false?

1. China is an open market for entry.
2. Time is also an investment when you are looking for an opening in the local Chinese market.
3. Recession at home boosts hopes of foreign firms to capitalize on China's growth.
4. Shrinking exports to other countries increased Europe and America's export figures to China.
5. Corruption, protectionism and red tape hamper foreigners in all fields.
6. Europe and America's typical business concerns are such as the availability of good staff and high costs of running business in China.
7. The cost of reaching a consumer in China is lower than in many Western countries.
8. Firms that have managed to overcome obstacles from opaque and arbitrary bureaucracy tend to produce locally in China.
9. Chinese consumers seem to have international tastes and not very choosy in their preferences
10. One strategy that has brought success to several foreign firms has been that of cost leadership in China.

II. What do these figures refer to?

\$3 billion, 760, 8 cities, 5%, 7%, 8%, 2001, six months
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III. Choose the right answer

1. Chinese market tends to be
a. penetrable b. volatile c. sluggish d. impenetrable
2. Europe and America's exports to China have remainedover the past year.
a. impressive b. flat c. gathering pace d. disappointing
3. Foreign businesses in China complain about competition.
a. subsidized b. cut-throat c. unfair tough
4. Proliferation of offerings to Chinese consumers works as they have
a. local tastes b. global tastes ...c. taste for variety d. convergence of tastes
5. Foreign brands should aim to compete onquality.
a. cost b. price c. quality d. differentiation

FOLLOW-UP ACTIVITY

- I. What other markets with great potential do you know?**
- II. What marketing strategy (standardization, customizing) will be the most appropriate for each of them? Back up your point of view. What obstacles or barriers may arise on your way to success?**

ADDITIONAL TEXTS FOR READING

Text 1

THE INTERNATIONAL MARKETING MIX

When launching a product into foreign markets do you standardize or adapt your marketing mix to the foreign market? A company can adopt to use a standardized marketing mix around the world or an adapted marketing mix in each country.

International Product Strategies Standardisation Vs Adaption

So what should an organization do? Adapt or sell a standardized product? Basic marketing concepts tell us that we will sell more of a product if we aim to meet the needs of our target market. In international markets we have to take into consideration consumers' cultural background, buying habits, levels of personal disposable income etc in order to deliver a tailored marketing mix program to suit their needs.

The arguments however for standardization suggest that if you go through the process of adapting the product to local markets it does little but add to the overall cost of producing the product and weakens the brand on the global scale. In today's global world, where consumers travel more, watch satellite television, communicate and shop internationally over the internet, the world now is becoming a lot smaller. Because of this there is no need to adapt products to local markets. Brands such as Coca-Cola, MTV, Nike, Levis are all successful global brands where they have a standardized approach to their marketing mix, all these products are targeted at similar groups globally.

In many circumstances a company will have to adapt their product and marketing mix strategy to meet local needs and wants that cannot be changed. McDonald is a global player however their burgers are adapted to local needs. In India where a cow is a sacred animal their burgers are served with chicken or fish. In Mexico burgers come with chili sauce. Coca-cola is some parts of the world taste sweeter than in others. Yes we can argue that standardization is better for the organization because it reduces cost, however many organizations will have to 'think global, but act local' if they are to successfully establish themselves in foreign markets.

International Promotion Strategy

As with international product decisions an organization can either adapt or standardize their promotional strategy and message. Advertising messages in countries may well have to be adapted because of language barriers or the current message used in the national market may be offensive to overseas residents.

The use of certain colors may also need to be thought about. In India red is the color worn by the bride in weddings, white is the color for mourning in Japan. The level of media development has to also be taken into account. Is commercial television well established in your host country? What is the level of television penetration? How much control does the government have over advertising on TV and radio? Is print media more popular than TV? Many organizations go for a strategy of adapting advertising messages to local markets to best meet consumer demand.

International Pricing Strategies

Pricing on an international scale is difficult. As well as taking into account traditional price considerations (see marketing mix pricing) i.e.:

- Fixed and variable costs,
- Competition,
- Company objectives ,
- Proposed positioning strategies,
- Target group and willingness to pay,

The organization needs to consider the costs of transport, any tariffs or import duties that may be levied on their product(s) when they are sold on the international scale. Also what currency do you expect to be paid in? Will it be home or international currency? Exchange rate fluctuation will also impact profitability and influence pricing decisions.

Other factors to consider include local incomes, what are income and PDI levels. What is the general economic situation of the country and how will this influence pricing?

The internet is now making pricing more transparent for consumers. Goods can be purchased online from any overseas organizations at local currency prices, a prime example is dvd's which are purchased from sites like www.dvdsoon.com which deliver internationally.

International Distribution Strategies

A standard distribution channel in the UK may go from a Manufacturer, wholesaler, retailer to consumer or direct from a manufacturer to a retailer. In an overseas market there may well be more intermediaries involved. For example in Japan there are approximately five different types of wholesaler a product goes through before the product reaches the final consumer. In your international market, is it dominated by major retailers or is the retail sector made up of small independent retailers? Is internet distribution common for your product.

(Studying Management Visit www.learnmanagement2.com)

Text 2

INTERNATIONAL MARKETING

As the general population continues to become more diverse, with ethnic Americans of African, Asian, and Hispanic descent making up 25% of the overall US population, the days of one-size-fits-all marketing are gone forever, it seems...

Today, marketers are much more aware of the significant opportunity that the varying demographic groups present and realize that they can no longer afford to neglect the combined buying power of ethnic Americans who, according to estimates, make up US\$1.3 trillion or 18.5 percent of all U.S. buying (source: www.americanmulticultural.com). So, to appeal to these highly lucrative and diverse audiences, many marketers are abandoning traditional mass-marketing practices in favor of tightly-focused, multicultural marketing efforts.

Let's define this

Multicultural marketing is defined as targeting and communicating to ethnic segments based on their diverse cultural framework. The opportunity cost of not creating a multicultural marketing strategy can translate into staggering losses for businesses either through the misinterpretation of marketing messages, the loss or damage to the brand image or worse the risk of customer alienation and defection. Given that the ethnic diversity in the U.S. is far more reflective of a global landscape, it is even more imperative for marketers to fully understand cultural differences, language treatments and purchase-drivers and to integrate those variations into their everyday marketing strategies and tactics.

While it has always been second nature for marketers to leverage surveys in order to quantify everything from general product interest, to pricing and packaging, these surveys are

even more valuable in creating and supporting multicultural marketing efforts. Before engaging in your own initiative, be sure you can answer the following questions and ensure that you leverage this knowledge to develop strategies that appeal to each unique demographic:

Show them you know them

Multicultural marketing is no different than other marketing in that marketers must research, plan, develop and execute their campaigns based on the feedback from their various audiences. After all, what may be appealing to one culture might have the opposite effect on another. In order to avoid alienating customers, marketers are now applying web survey technology to pre-test everything from overall messaging to creative lay-out in order to appeal to a variety of audiences.

However, language is just one part of the overall communication process. To facilitate cultural adaptations, the savvy marketer starts with awareness and understanding – something that can be easily achieved by surveying and pre-testing assumptions to better define and use the right mix of cultural variables.

These variables could include something as simple as using multicultural faces in your campaign photography in order to increase the rapport between your organization and your audience or adjusting color preferences and graphic presentation forms to increase the effectiveness of your website presentation. To achieve a competitive edge in campaigns, marketers must understand the cultural differences and lifestyle characteristics of Latino versus Asian versus African, etc.

Get the timing right

Another lifestyle variable that marketers must also consider is timing, particularly because holidays vary by both country and culture. Targeting a campaign around a holiday often requires timing adjustments. For example, Mother's Day is observed on a different day in Latin American countries than in the U.S. While some American-based Latinos have adopted the U.S. date, others have not. To meet the needs of various Latino audiences, savvy multicultural marketers may choose to spread the campaign over a longer period to cover the date range based on the preferences identified in their survey research.

Finally, variables like language can affect the market research process itself. For instance, when Leica Surveying and Engineering (a global provider of high-end surveying and measurement equipment) sought to gather competitive intelligence in their industry, they initially deployed surveys only in English, because the company's business was typically conducted in English, even across several different European countries. However, the response rate was dismal even though the sample was comprised of individuals who had an affinity with the company. With closer review, it was discovered that the in-country sales representatives conducted business in their native languages. Consequently, the company redeployed the survey in various languages such as Spanish, German, etc., and the response rate doubled almost overnight.

Say it loud... but carefully

Certain brand names or taglines have completely different meanings when translated into various languages. For instance, The Dairy Association's huge success with the campaign entitled "Got Milk?" prompted them to expand their advertising efforts to Mexico. Unfortunately, they soon realized that the popular slogan, when translated, meant "Are you lactating?"

Alternatively the absence of language can also be the barrier. For example, when a major consumer packaged goods manufacturer started selling baby food in Africa, the company decided to use the same packaging as in the U.S., with a smiling baby on the label. Later, they learned that in Africa, because many consumers are unable to read English, companies routinely put pictures on the labels of what is inside.

Rules for language

So before inadvertently insulting or alienating people due to innocent-yet-damaging language errors be mindful of a couple of basic rules and use surveys to validate messages and language prior to execution:

Conduct local background research for each market and for every language that you plan to target. After all one Spanish-speaking country will have words and interpretations that are different from another. For example, Portuguese in Brazil is different from the Portuguese spoken in Portugal and Parisian French is slightly different from the French of Belgium, Switzerland, and Quebec. The language differences are even further exacerbated when working with the languages of the Middle East, Africa, Asia and beyond.

Never underestimate the importance of translation. At a minimum, marketers must ensure that their translations are done by translation experts who understand how to write marketing copy. It is no longer enough to use a native-speaker, journalist or other professional writer. Today, the translator should be a trained copywriter as well. Before executing a campaign blind, be sure to validate through focus groups and surveys.

Test, test and test again. Before spending time, money, and resources make sure that both you and your customer are in synch. It is better to leverage surveys and measure the effectiveness of your efforts prior to launching a major campaign. Not only will this maximize your efforts and save money but more importantly it might preserve your brand from a multicultural misstep.

Appeal to their instincts

One of the most common mistakes of multicultural marketing is to assume that a specific call to action will appeal to all targets. With online surveys, marketers are able to identify how one culture might respond stronger to a certain offer or value proposition, while another may be more motivated to buy based on manufacturer's reputation or product feature-set.

Sometimes you learn this by accident. For instance, a global manufacturer of GIS and mapping equipment wanted to survey customers and prospects to find out how it stacked up against competitors. As a part of this questionnaire, they wanted to ensure that specific demographics such as country of residence were included in order to track survey response rates. As a result, and because researchers are curious by nature, they performed a subsequent segmentation analysis that found stark differences in preferences for product features across geographic regions (i.e. respondents from Asia and the Pacific Rim were much more likely to think depth of features was important in making purchase decisions, while their European counterparts favored ease of use).

Another consideration for marketers is whether or not to incorporate humor into the marketing message. The appropriate and effective use of humor is a particular challenge in multicultural marketing, because what might be considered hysterical in one culture could be deeply offensive in another. However, remember one simple principle, and you are likely to avoid the pitfalls of misplaced humor. A wise man once said, "Use humor about situations, not people". Obviously, most humor is going to involve people in one way or another; however, it is relatively easy to use online surveys to pre-test offers and concepts in order to avoid any unpleasant surprises.

It's a small world, after all

When marketers attempt a one size fits all approach they usually fail. Multicultural marketers know they need to talk-the-talk and walk-the-walk in order to be effective. For instance, the United Nations Federal Credit Union (UNFCU), which traditionally conducts surveys mostly by mail, decided to leverage the web. As a result of the various distribution

mechanisms they realized the need to statistically weight the data in order to correct for a potential response bias from checking account users. To avoid this potential bias, they applied a respondent authentication filter that enabled them to discover that members outside the US were significantly more likely than their US counterparts to respond to their web-based survey. Without this insight, the research results would have been biased, potentially leading to some poor decisions by the credit union's marketers.

By leveraging the global reach of web surveys, marketers can identify key drivers that exist in various cultures and grow their business by appealing to discreet segments and unique audiences. With a little bit of knowledge and know-how, marketers can create extremely effective messages that resonate on a personal level with each consumer.

Loyalty marketing... for real facts, figures, research, case studies, best practices, practical how-to's, technologies & examples, The Loyalty Guide 4 is the world's most complete report (1,000+ pages) that covers it all. Costing less than a conference pass, details of this electronic report's contents, chapter samples, pricing, and ordering details are online now at www.TheLoyaltyGuide.com.

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UNIT 3



BUILDING RELATIONSHIPS



FROM BUY, BUY TO BYE BYE

The recession will have a lasting impact on the way people shop

PRE-READING TASK

- I. Which brands and companies are you loyal to? What do you appreciate most of all in their products or customer service? Do you often recommend them to your friends?**
- II. What shifts in consumer psychology can be observed in economic downturn?**
- III. Is it possible to retain the majority of loyal customers in difficult times?**

1. “WANT IT!” screamed the words plastered on the walls, counters and shopping bags in the flagship emporium of Saks, a big American retailer, on Fifth Avenue in New York. The same exhortation was emblazoned in huge letters on a giant red and white ball that revolved slowly in the middle of the main sales floor. Saks’s spring marketing campaign, which came to an end on April 1st, made its brazen appeal to greed in a bid to drum up sales in a dire market. But the exclamation mark in its “Want It!” tagline should perhaps have been a question mark instead.

2. Asked whether they want more stuff, consumers in rich countries have responded with an emphatic “No”. The breathtaking speed with which retail sales have plummeted in both America and Europe has caught retailers and manufacturers by surprise. In response, companies have tried desperately to prop up revenues using a variety of promotions, advertising and other marketing ploys, often to no avail.

3. But as they battle with these immediate problems, marketers are also pondering what longer-term changes in consumer behavior have been triggered by the recession. It is tempting to conclude that, once economies rebound, customers will start spending again as they did before. Yet there are good reasons to think that what promises to be the worst downturn since the Depression will spark profound shifts in shoppers’ psychology. The biggest changes will take place in America and parts of Europe, where housing and stock market bubbles have imploded and unemployment has soared. As well as seeing their incomes fall as employers cut wages and jobs, households have also seen the value of their homes and retirement savings shrink

dramatically. Although the threat to wages will fade as growth picks up the damage done to housing and other assets will linger.

4. This has already led to a swift tightening of purse strings by shoppers and a wave of discounting by companies. Inmar, an American firm that processes discount coupons, says that redemptions in America were 17% higher in the first quarter of 2009 than in the same period last year, as consumers hunted for bargains. Many companies have launched lower-priced products in order to avoid losing customers as they trade down. Danone, a French food group, has created a line of low-cost yogurts in Europe, called “Eco Packs”, that come in smaller tubs and fewer flavors than its standard products.

5. The trend towards thrift will not disappear when the economy picks up. For one thing, those banks left standing after the bust will be far more parsimonious with consumer credit. For another, many people will still be intent on rebuilding their nest-eggs, which is reflected in sharply rising rates of saving. Sociologists also detect a distinct change in people’s behavior. Until the downturn, folk had come to assume that “affluence” was the norm, even if they had to go deeply into debt to pay for gadgets and baubles. Now many people no longer seem consumed by the desire to consume; instead, they are planning to live within their means, and there has been a backlash against bling. So for years to come, many more households will be firmly focused on saving, splashing out only occasionally on a big-ticket item. Some firms are already trying to capitalize on this new mood. Sears, another American retailer, recently revived a savings plan it used many years ago, known as the “Layaway program”, under which a consumer can make a down payment on an item that is then held for him for a fixed period while he saves the rest of the cash needed to buy it.

6. A second shift in consumer psychology has been prompted by fallout from the global banking crisis and the furor over huge bonuses paid by firms rescued with public money; by a wave of financial scandals, such as the Madoff affair in America; and by multibillion-dollar bail-outs of carmakers in many countries. All this seems to be denting trust in business more generally. The Boston Consulting Group recently completed a global survey of consumer sentiment involving 15,000 consumers. The results, to be published this month, show that over half of respondents from America and Europe say the crisis has intensified their distrust of big business.

7. Past downturns have also stoked anti-business feeling, which dissipated as growth returned. But the sheer scale of the failings that have come to light recently mean that suspicion and wariness will not vanish so easily this time around. In response, firms will need to be even more transparent in their dealings with customers, who will punish them severely if they fail to keep their promises. Bain, another consulting firm, says it has seen several firms appoint executives recently with a specific brief to ensure that price adjustments and service cuts do not damage loyal customers’ experience of brands.

8. Companies will also need to show they empathize with consumers’ new concerns. “There will need to be a move from passion to compassion in marketing,” reckons John Gerzema of Young & Rubicam, a marketing-services firm. Hyundai, a South Korean carmaker, has taken the hint. In January it said that for a 12-month period it would allow car buyers to return vehicles without incurring a penalty if they lose their jobs. On March 31st Ford and General Motors followed Hyundai’s example, saying they would make payments on car loans and leases for a limited period on behalf of buyers who are laid off.

9. Both the shift towards greater thrift and greater skepticism about brands will influence other consumer trends, too. Interest in things such as green products and healthy foods will continue to grow in a post-crisis world, but customers will be less willing to pay a premium for them, and will demand more value for money when they do. The downturn will also accelerate the use of social media, such as blogs and social-networking sites, by consumers looking for intelligence on firms and their products. As trust in brands is eroded, people will place more value on recommendations from friends. Social media make it harder for brands to pull the wool

over consumers' eyes, but they also offer canny companies a powerful new channel through which to promote their wares and test new products and pricing strategies.

10. Marketers ignore the messages that emanate from these groups at their peril. For one thing is clear: this recession has triggered a wholesale reappraisal by shoppers of the value that their habitual brands deliver. The winners will be those that adapt intelligently to the new reality. The losers will be those who think they can win simply by telling consumers to "Want It!"

(The Economist 17 Sep 2010)

COMPREHENSION

I. Look through the whole article and put these paragraph summaries into the correct order.

	Plummeting sales and new retailers' ploys
	Economists predict profound shifts in shoppers' psychology
	Retaining loyal customers gets a challenging task
	New consumer trend toward thrift - backlash against bling
	A new move from passion to compassion in marketing
	Distrust of big business
	More skepticism about brands and demand for more value for money
	Companies are trading down with a new wave of discounting
	Winners in new reality when buyers no more WANT IT
	Question mark VS exclamation mark

II. Match companies mentioned in the article with their products and new marketing campaigns

<ol style="list-style-type: none"> 1. Saks 2. Inmar 3. DANONE 4. Sears 5. Hyundai 6. Ford, Gen. Motors 	<ol style="list-style-type: none"> a. American firm b. Big American retailer c. American car makers d. American retailer e. South Korean carmaker f. French food group 	<ul style="list-style-type: none"> - promise of 12-month period for car buyers to return vehicles without incurring a penalty if they lose their jobs - line of low-cost yogurts in Europe, called "€co Packs" - savings plan known as the "Layaway program" - promise to make payments on car loans and leases for a limited period on behalf of buyers who are laid off. - discount coupons - spring marketing campaign under the slogan WANT IT!
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III. Which campaign was not adapted intelligently to the new reality of the downturn?

FOLLOW-UP ACTIVITY

1. Some analysts assert that newly acquired buyers are often unprofitable. The profits come from repeat business from loyal customers. Do you share this opinion?

2. Complete this range of benefits companies get from long term loyal customers

Loyal customers typically:

- * Buy more per year
- * Buy higher priced options
- * Buy more often
- * Are less price sensitive
- * Are less costly to serve
- * Are more loyal
- * Have a higher lifetime value

3. How can companies adapt their marketing strategies in recession times?

4. *In the period of economic recession companies need to show they empathize with consumers' new concerns. "There will need to be a move from passion to compassion in marketing," reckons John Gerzema of Young & Rubicam, a marketing-services firm.*

Can you offer your own ideas of "compassion in marketing" in order to retain loyal customers.

ADDITIONAL TEXTS FOR READING

Text 1

NINE MUSTS FOR RETAINING YOUR CUSTOMER IN A DIFFICULT ECONOMY

The current recession has caused businesses across the country both large and small to file for bankruptcy. Even major retailers such as: Linens 'N Things, Sharper Image and Circuit City have been affected. If your business has weathered the storm so far – congratulations! But with some economists predicting a double-dip recession on the horizon, you may not be out of the woods yet.

Study after study shows that customers are continuing to cut back across the board and buying only what they feel they need most. That means fewer customers and fewer dollars available for businesses like yours to chase. So how can a small business keep customers and possibly even increase profitability in this economic funk? Here is our list of nine musts for helping you keep good customers in difficult times.

1) Provide outstanding customer service. Everyone always claims to offer it, but few ever actually deliver it. Demand that every single one of your employees provides a great experience every single time. Make certain that all employees understand the importance of customers to the company's livelihood, let alone their own. Teach everyone in the company to always under-promise and over-deliver. Train all employees in good customer service techniques and make sure the proper procedures are followed to ensure customer satisfaction.

2) Add a personal touch. Wherever possible, try to personally connect with your customers. Sending a thank-you note for recent purchases is a great way to acknowledge customers and make them feel valued. If you know their birthday, send a card offering a discount or small premium in honor of their special day. That little extra sign of appreciation can go a long way to bringing customers back again and again.

3) Develop a loyalty program. From airlines to credit cards to coffee shops, it seems like everyone has a loyalty program these days. Why? Because customers love getting rewards or discounts for making repeat purchases. When they're done properly, loyalty programs can improve customer retention, enhance brand loyalty, encourage repeat business and increase sales per customer. Remember, in most cases, 80% of your business comes from 20% of your customers. Make sure that 20% is enrolled in your loyalty program, and you're almost certain to see sales increase.

4) Reward referrals. Word-of-mouth is a great form of advertising — and it's free. Develop some sort of referral rewards program to encourage your best customers to tell their friends all about your business. Provide referring customers a discount or premium for each new customer they send your way. You not only get the new customer, but by giving the loyal one a discount, you all but ensure the loyal one will return to use that reward.

5) Keep customers engaged. You need to development and nurture the relationship between your business and your customers. This is known as customer engagement. (To read more on customer engagement, [click here](#).) The idea is to have an ongoing, two-way conversation with your customers to encourage more of a long-term relationship as opposed to the quick, one-time sale. Try to provide relevant content via newsletter or your website that serves their particular interests and desires. Follow up a sale by asking if you can answer any questions or get them to fill out a survey on their experience with you. Engaged customers buy more frequently, have more brand loyalty, provide great word-of-mouth advertising and are more likely to provide you with useful feedback. Plus, they are usually less price sensitive and cost less to service in the long run.

6) Become a resource for customers. Host seminars, workshops or free talks on subjects within your realm of expertise, send out a newsletter that offers valuable, useful information to loyal customers. All of these will make you a perceived expert in your field because you're offering free, helpful insights and solutions to your valued customers. This isn't an opportunity to sell or make a pitch. This is an opportunity to become a trusted resource to your customers. When there finally is a need again, you are likely to be their first call.

7) Evaluate your pricing. The struggling economy has caused the cost of materials to fluctuate and competitors to come and go. Thus pricing strategies have become more critical than ever. Survey your competition and evaluate your current pricing structure. If you need to drop prices temporarily (and can afford to do so) to make yourself more competitive, then do it. Loyal customers will appreciate the refreshing break and possibly wind up purchasing more than before because they feel like they're saving money. However, some businesses need to be cautious of the perceived value that lowering your prices may send to your customers. Many consumers perceive higher-priced products as possessing superior quality. So if you start plastering your windows with big sale and discount signs, you may be sending the "cheap" and "inferior quality" messages instead. (To read more on price setting, [click here](#).)

8) Focus your marketing efforts on your best customers. Since the majority of your business likely comes from about 20% of your customers, why waste precious time and money advertising to the other 80%? Make sure all your marketing efforts are targeting your best customers to keep them informed of what's hot, what's new and what's on sale at your business. If you have marketing efforts that aren't producing sales, cut them loose and pour your money into the ones that are. The worst thing you can do is to drop your advertising altogether waiting for sales to get better. They won't get better on their own. And you run the risk of losing your loyal customers to a competitor who's using your absence to aggressively advertise and lure customers away.

9) Keep investing in your business. If you aren't growing, you're probably shrinking. Don't let your professional life or your business get stale. Invest in yourself with continuing education classes and keep your business moving in a positive direction with remodels, expansions and fresh offerings for your customers. Provide or point out something new every time a customer visits your business. If there's always something new to see, a loyal customer will be less likely to get bored and venture into a competitor's business in search of something different.

The recession won't last forever. Tough economic conditions like the past few years have been difficult on almost every type of business. But most economists and financial experts agree that these conditions are temporary and the economy will eventually improve — just maybe not as quickly as everyone had hoped. If you work hard at retaining your best customers during these difficult times then you should be that much better off when the good times return and

consumers start spending more freely again. Offering consumers the opportunity to redeem gives meaningful rewards in all areas of their life.

(Posted August 3rd, 2010 by YBO)

Text 2

KEY TO RETAINING CUSTOMERS

Provide better solutions

The achievement of customer loyalty and retention seems to be the brass ring that nearly everyone in business is striving to reach.

By far one of the most talked-about topics in business today, keeping your customers once you've sold them, is a concept that seems as complicated as it is elusive - everyone wants to do it but very few understand how.

After myriad requests from my own clients as well as magazine and journal editors and professional organizations of service workers, this seems to me to be a code in desperate need of cracking.

The key to retaining your customers, in actuality, is not very complicated. In fact, it can be quite simple: Customers come to you when they have problems. In order to both serve them well and keep them coming back, you have to provide better solutions than do your competitors. "Provide" is the operative word, however.

Any company can tout a mission statement or lofty philosophy of striving to offer effective solutions. Many companies spend millions of dollars advertising how committed to service and solutions they are. *Advertising may bring customers in initially but it is only action that keeps them coming back.*

The first step on the road to effective customer retention is investing in the right people. When it comes to choosing your team, skills and experience aren't nearly as important as attitude and interest. Skills can always be taught and experience can always be gained but attitude is inherent.

Everyone on your team must embrace and be striving toward the same goals - being of service to the customer - every hour of every day. The process by which they'll go about doing that is something you can teach them. Their desire to do it, however, is something that comes from within.

It is imperative then to choose your people wisely. Once you've assembled your team, you'll want to outfit them with high-quality customer service training. "People are definitely a company's greatest asset," Mary Kay Ash, the founder of Mary Kay Cosmetics, once said. "It doesn't make any difference whether the product is cars or cosmetics. A company is only as good as the people it keeps." This means that everyone in the company who has any contact with customers whatsoever should go through training. If you've ever gone shopping during the holidays and encountered retail staff hired just for the season you can appreciate why it is so important to train everyone to the same level of proficiency.

The frustration and even fury that customers feel when they cannot find a single knowledgeable person with any kind of decision-making authority to do anything more than swipe a credit card for a purchase should be reason enough to get your people trained.

Service reps need to be more than money-takers. Even temporary staff requires proper training so that they can be a help to your valued customers - not a hindrance. The key element in the training in which you invest should be role playing. No representative can be expected to handle problems and create solutions if they have not had extensive practice doing so.

Within the training, service reps need to be taught to exercise good judgment and take initiative in problem solving. As we well know, customers do not want to hear a script or canned answers when they call with a problem. They want their problem solved, they want to see results - they want action.

In addition to role-playing-centered training, representatives need to be given the latitude to find or develop clever, resourceful and creative win-win solutions to the problems customers face.

They need to have the tools available to offer customers as many options as possible. If they are not given the authority to make certain decisions or offers, they must, instead, have the resources and information available to quickly find the person who does.

By the same token, managers need their hands untied and to be given the authority to make decisions in the best interest of the customer - not just the company. To that end, company policies must be examined to see if they benefit the needs of customers. If they do not, steps must be taken to adjust them until they reflect this new focus. Many of the outdated business practices still in use today grossly underestimate a new, more sophisticated customer.

Consumers today are smarter, better educated, have access to unlimited information and are more product-savvy than at any other time in history. Therefore, to win them - and keep them - your company must shift its values and approach to appeal to the needs of these smarter, savvier customers. You must let go of outmoded ideas that company policies should only benefit the company. A policy that benefits the customer will always benefit the company.

As the adage goes, today's customer wants you to "Show, don't tell". Customers want something measurable - something they can see and touch. Therefore, give them the tangibles they desire. You can entice them to keep coming back by utilizing a variety of small and relatively inexpensive gestures including incentives, add-ons, discount coupons for future purchases and loyalty discounts.

As we know, common practices such as reciting from a script, passing customers and their problems off to another department or countering a customer's concerns with, "That's not company policy," are not, and will never be, effective ways to retain customers in today's marketplace.

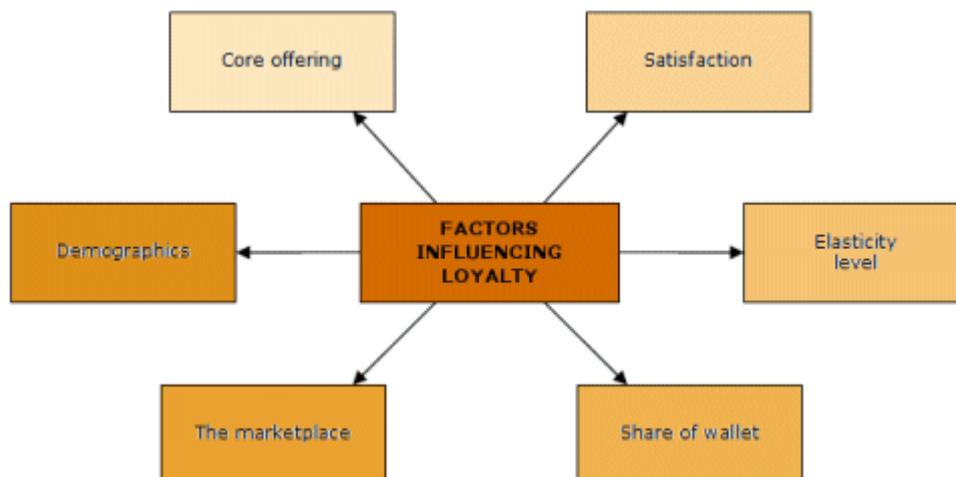
People choose to return to companies whose representatives impress them and serve them well. They appreciate someone who cares enough to go out on a limb, spend extra time helping and understanding them, who offers compensation as well as incentives, and who can make decisions or who is willing to advocate with a decision-maker on their behalf.

In essence, to keep your customers, you must, above all, keep them happy and toward that end, it is your actions, not your words, which will speak most loudly about your commitment to that goal.

(Roy Chitwood, president of Max Sacks International, Seattle)

Text 3

THE 6 KEY FACTORS THAT INFLUENCE CUSTOMER LOYALTY



By Peter Clark

Looking in more detail at the major factors that influence consumers' loyalty - not only to retailers but also to suppliers in all sectors, including business to business (B2B) - the six key areas can be identified and summarized as follows:

Core offering

The companies that boast the highest levels of fiercely loyal customers have built that loyalty not on card programs or gimmicks, but on a solid, dependable, core offering that appeals to their customers. These companies have focused intently on what they know appeals to the type of customers they want to attract, and have determinedly concentrated on delivering what is expected every time. North American retailer, Nordstrom (www.nordstrom.com), is well known for the loyalty of its customers. It built this loyalty by understanding what its customers wanted and then empowering its employees to deliver those needs consistently.

Clearly, the data from a good loyalty program should help to improve this core offering by tailoring and molding it more closely to the customers' needs and desires. Elements of the core offering that have a large role in building customer loyalty include:

Location and premises

Location and premises clearly play a part in engendering loyalty. The Three L's of retail - "location, location and location" - are undoubtedly important, and attractive and functional premises are equally so.

Service

Whether selling services or products, the level of service perceived by the customer is generally a key to generating loyalty. It can be argued that some customers buy only on price, so all that is necessary to retain their loyalty is consistently low prices. To certain extent that is true. But in most cases, any loyalty shown will be only to the prices instead of the business. Should a competitor offer even lower prices, those customers are likely to defect. Companies that have adopted a policy of everyday low prices (EDLP) can be more vulnerable to competition than those who have built their customers' loyalty on superior products or service. The UK supermarket chain Asda has chosen EDLP instead of a loyalty program as a strategy, with great success. Why has this worked so well? Because Asda offers great levels of service and a comprehensive range of products as well as low prices. In other words, it differentiates itself from other supermarkets that rely purely on EDLP to draw and keep customers. Asda's customers are loyal not only to low prices but to the whole shopping experience.

The product or service

The products or services offered must be what customers want. The days when businesses could decide what they wanted to sell or supply, and customers would buy it, are long past. The customers' needs and wants are now paramount. If you don't meet them, someone else will.

Satisfaction

Clearly, satisfaction is important; indeed essential. But, taken in isolation, the level of satisfaction is not a good measure of loyalty. Many auto manufacturers claim satisfaction levels higher than 90%, yet few have repurchase levels of even half that. The situation is stacked against the business: if customer satisfaction levels are low, there will be very little loyalty. However, customer satisfaction levels can be quite high without a corresponding level of loyalty. Customers have come to expect satisfaction as part and parcel of the general deal, and the fact that they are satisfied doesn't prevent them from defecting in droves to a competitor who offers something extra. The point is that, while high levels of customer satisfaction are needed in order to develop loyal customers, the measure of customer satisfaction is not a good measure of the level of loyalty. The two are not measuring the same thing.

Elasticity level

Elasticity expresses the importance and weight of a purchasing decision - effectively the level of involvement or indifference. This applies to both the customer and the business.

Involvement

The customer's involvement in the category is important: the more important your product or service is to the customer, the more trouble they have probably taken in their decision to do business with you, and the more likely they are to stick with what they have decided. Most customers would be highly involved in the category when choosing a new car, a new jacket, or a bottle of wine. However, when choosing a new pair of shoelaces, involvement is not usually high. Businesses dealing in commoditized products and services cannot expect high involvement and need to earn loyalty in other ways.

Ambivalence

The customer's level of ambivalence is also important. Few decisions are clear cut. There are usually advantages and disadvantages to be balanced, and vacillation is unstable. Again, we see that the more commoditized a product or service, the more difficult it is to cultivate loyalty. It is only when points of differentiation are introduced that the customer has a valid reason for consistently preferring one particular supplier.

The marketplace

The marketplace is a key factor in the development of loyalty. The elements most closely involved are:

Opportunity to switch

If the number of competing suppliers is high and little effort is required to switch, switching is clearly more likely. Conversely, the more time and effort invested in the relationship, the more unlikely switching becomes. The level and quality of competition has a significant effect on how easy it is for a customer to switch from any one particular supplier. When competitors are offering very similar products at similar prices, with similar levels of service, some means of useful differentiation has to be found in order to give customers a reason to be loyal.

Inertia loyalty

This is the opposite of ease of switching. Most banks enjoy a high level of inertia loyalty simply because it's often so difficult and time-consuming to change to a new bank and transfer direct debits and standing orders.

Demographics

According to Jan Hofmeyr and Butch Rice, developers of The Conversion Model (which enables users to segment customers not only by their commitment to staying with a brand but also to segment non-users by their openness to switching to the brand), more affluent and better educated customers are less likely to be committed to a specific brand. They say that the commitment of less affluent consumers to the brands they use is often unusually strong - possibly because they cannot afford to take the risk of trying a brand that might not suit them as well. They also suggest that younger consumers are less committed to brands than older consumers.

Interestingly, these differences carry over into cultural groups as well: they find that French-speaking Canadians are more likely to be committed to a brand than English-speaking Canadians, and Afrikaans-speaking South Africans are more likely to be committed than English-speaking South Africans. In their excellent book, *Commitment-Led Marketing*, they show how commitment norms for the most frequently used brand of beer vary from country to country. At the two extremes we see both Australia and the UK (58%) and South Africa at 83% - a considerable difference.

Share of wallet

As markets become saturated and customers have so much more to choose from, share of wallet becomes increasingly important. It is cheaper and more profitable to increase your share of what the customer spends in your sector, than to acquire new customers. After all, that's what loyalty is really about. Totally loyal customers would give you a 100% share of their spend in your sector.

(Published by The Wise Marketer in August 2007.)

WHEN THINGS GO WRONG

Building a client's trust will serve you well when things don't run smoothly.

First, take a realistic look at what can go wrong. We've all been there: A client is not happy with you or the benefit program purchased through you. Typically, dissatisfaction arises when clients don't receive - or think they didn't receive - what they expected or were promised; experience what they consider to be unreasonable delays; interact with someone who comes across as rude, patronizing or indifferent; feel they're getting the runaround; or are told a rule or policy is a reason for inaction.

The way you respond makes the difference in turning around a difficult situation, and the approach you take to fix the situation will stick in your customer's mind. A problem handled promptly and with finesse may result in the original mistake being forgiven, even forgotten.

In fact, when treated well, a once-dissatisfied customer can become your best ambassador. Furthermore, problems don't always end in dissatisfaction. A speedy response to a problem can add 25% to customer loyalty, according to the PwC/Economist Intelligence Unit report.

Here are six proven methods for building service recovery into your firm's mindset:

- * **Acknowledge errors.** Let the customer know you're sorry for the mistake and convince them it won't happen again. An apology often results in a relationship being stronger than before the mistake occurred.

- * **Respond quickly.** Quick, courteous responses keep problems from escalating and help build long-term customer loyalty.

- * **Get it right the first time.** Research confirms that resolving a complaint on the first contact builds customer confidence and reduces the cost by at least 50%.

- * **Take advantage of technology.** Technology is your friend when it comes to handling complaints. Develop a database of complaints to alert you to service issues or negative trends.

- * **Hire the best.** Recruit and hire people for customer service jobs who have track records in complaint resolution.

- * **Seek feedback.** The best service companies make it easy for customers to voice their views. Ask clients for feedback and you'll get it. Act on it and you'll gain their loyalty.

And remember everything about business comes down to PEOPLE. Where in business can we escape the impact of human care, human creativity, human commitment, human frustration, and human despair? There is no reason for anything in business to exist if it does not serve the needs of people.

JAPANESE PERSONNEL DEPARTMENT AND COMPANY TO EMPLOYEE RELATIONSHIPS

It may surprise Westerners to learn that the most important department in a Japanese company is usually not the R&D or the marketing department or even the executive office. It is the personnel department where people management policies are monitored and improved. While in most Western countries it is often lowly backwater.

In most successful Japanese companies the personnel department has considerable influence over an individual career. It is vested with essential power. It is a power that serves to preserve harmony (wa), by letting employees and their bosses know that nothing in the company is done in vacuum.

Personnel management in Japan is all about developing and enhancing conduits/channels of communication – between the boss and the employee, but more vitally between the employee and the company apart from their line boss. The admirable and intense Japanese communication ethic is so well developed that it is built into the very structure of the Japanese workplace hierarchy.

American bosses like to build little kingdoms. They surround themselves with people who owe them their loyalty for having given them their job. A Japanese employee owes his or her loyalty to the company. It was the company personnel department, in most cases, that hired the employee in the first place, so the welfare of the company stays their first priority. Employees know that the company trusts them to do what is right, regardless of their immediate supervisor.

In personnel department they don't just push papers around and file employment applications unlike many western companies their responsibility is regular employee performance evaluation. At major Japanese companies only 15-40% of employee's evaluation comes from directly from employee's supervisor. The majority of evaluation comes from the personnel department, which looks at things such as employee's potential, his or her performance in past assignments, performance at school, level of education, communication skills, ability for teamwork, after-work activities, education and training within the company and creativity. The number of years spent with the company are carefully noted and rated as an indication of the employee's value to the organization. Finally, evaluations from previous bosses are compared with the new ones to detect any differences that may be attributed to the bosses not to the employee.

In most Japanese companies when an employee and a boss fail to get along, the personnel department will step in and transfer the employee – or sometimes even the boss. Only after several such transfers will a Japanese company accept the fact that all the investments they have made in an employee were for nothing. Often a Japanese manager will say, "We lost our investment in that person" and never, "We fired him". And such rare events are considered as much a shame for the employer as for the employee.

In Japan, the first thing a personnel department does is teach new recruits company's basic business philosophy. These business philosophies are often rooted in Confucianism; new employees pledge to serve society, and to show respect for laws, elders, and community relations.

The new recruits "freshmen" also learn the importance of personal growth, the need to work for the common good, the value of consensus and the importance of building good human relationships. Often a "freshman" will sign a "contract" upon joining a company, one that is quite unlike the standard American employment contract. The Japanese employment contract usually states simply that the employee is now a member of the company (Not an employee, but a member) and that a member pledges to follow the company rules. Ironically there are often no explicit rules written down in this contract. However there is the implicit assumption of mutual commitment and good will. This is another example how the Japanese don't depend on legal documents but rather on the feeling of shared responsibility, trust and mutual commitment. Most Japanese companies work very hard to make "freshmen" feel at home. To help this process the personnel department usually assigns a senior member of the company to act as a mentor for each "freshman". The training for "freshmen" often includes classes in business, philosophy, technical topics and human relations training.

For the first 10 to 15 years, Japanese employees all receive basically the same salaries, which are increased by the personnel department about once a year. During their early years in a company they learn to work with each other strengthening their loyalty that started with their mutual entry into the company. After 15 years they will start to compete for their first management job that of kacho (Group leader).

The Japanese personnel department plays the central role in all these developments, stitching the company together into a whole, improving human relationships, developing

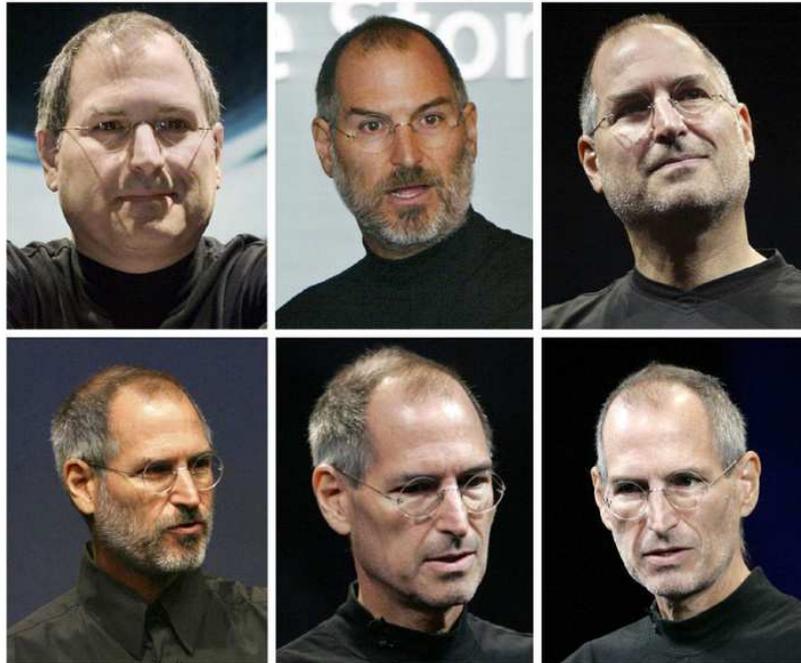
employee potential and teaching the employees that their highest goal is to contribute to the efforts of their group against ever-present competition.

The typical non-Japanese personnel departments should provide more training, more collegial atmosphere and more support for the individual employee. These are challenges for organizational leaders to implement.

UNIT 4



SUCCESS



YOU'VE GOT TO FIND WHAT YOU LOVE

His accomplishments and character helped define a generation and change the world. He is co-founder of the fairytale company we now know as Apple Computers. This man with boundless energy and charisma is also a master of hype, hyperbole and the catchy phrase. And even when he's trying to talk normally, a brilliant story comes tumbling out.

PRE-READING TASK

- I. Why is the world better for some people or companies? What are the main ingredients of success?**
- II. What do you know about Apple and its legendary founder Steve Jobs?**
- III. Whether up or down always innovating. What other companies are associated with the motto? Name some of the greatest companies of the past years, who made their mark in science, technology, in management, finance or marketing.**

Just three stories

I am honored to be with you today at your commencement from one of the finest universities in the world. I never graduated from college. Truth be told, this is the closest I've ever gotten to a college graduation. Today I want to tell you three stories from my life. That's it. no big deal.

The first story is about connecting the dots.

I dropped out of Reed College after the first 6 months, but then stayed around as a drop-in for another 18 months or so before I really quit. So why did I drop out?

It started before I was born. My biological mother was a young, unwed college graduate student, and she decided to put me up for adoption. She felt very strongly that I should be adopted by college graduates, so everything was all set for me to be adopted at birth by a lawyer and his wife. Except that when I popped out they decided at the last minute that they really wanted a girl. So my parents, who were on a waiting list, got a call in the middle of the night asking: “We have an unexpected baby boy; do you want him?” They said: “Of course.” My biological mother later found out that my mother had never graduated from college and that my father had never graduated from high school. She refused to sign the final adoption papers. She only relented a few months later when my parents promised that I would someday go to college.

And 17 years later I did go to college. But I naively chose a college that was almost as expensive as Stanford, and all of my working-class parents’ savings were being spent on my college tuition. After six months, I couldn’t see the value in it. I had no idea what I wanted to do with my life and no idea how college was going to help me figure it out. And here I was spending all of the money my parents had saved their entire life. So I decided to drop out and trust that it would all work out OK. It was pretty scary at the time, but looking back it was one of the best decisions I ever made. The minute I dropped out I could stop taking the required classes that didn’t interest me, and begin dropping in on the ones that looked interesting.

It wasn’t all romantic. I didn’t have a dorm room, so I slept on the floor in friends’ rooms, I returned coke bottles for the 5¢ deposits to buy food with, and I would walk the 7 miles across town every Sunday night to get one good meal a week at the Hare Krishna temple. I loved it. And much of what I stumbled into by following my curiosity and intuition turned out to be priceless later on. Let me give you one example:

Reed College at that time offered perhaps the best calligraphy instruction in the country. Throughout the campus every poster, every label on every drawer, was beautifully hand calligraphed. Because I had dropped out and didn’t have to take the normal classes, I decided to take a calligraphy class to learn how to do this. I learned about serif and san serif typefaces, about varying the amount of space between different letter combinations, about what makes great typography great. It was beautiful, historical, artistically subtle in a way that science can’t capture, and I found it fascinating.

None of this had even a hope of any practical application in my life. But ten years later, when we were designing the first Macintosh computer, it all came back to me. And we designed it all into the Mac. It was the first computer with beautiful typography. If I had never dropped in on that single course in college, the Mac would have never had multiple typefaces or proportionally spaced fonts. And since Windows just copied the Mac, its likely that no personal computer would have them. If I had never dropped out, I would have never dropped in on this calligraphy class, and personal computers might not have the wonderful typography that they do. Of course it was impossible to connect the dots looking forward when I was in college. But it was very, very clear looking backwards ten years later.

Again, you can’t connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something — your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life.

My second story is about love and loss.

I was lucky — I found what I loved to do early in life. Woz and I started Apple in my parents garage when I was 20. We worked hard, and in 10 years Apple had grown from just the two of us in a garage into a \$2 billion company with over 4000 employees. We had just released

our finest creation — the Macintosh — a year earlier, and I had just turned 30. And then I got fired. How can you get fired from a company you started? Well, as Apple grew we hired someone who I thought was very talented to run the company with me, and for the first year or so things went well. But then our visions of the future began to diverge and eventually we had a falling out. When we did, our Board of Directors sided with him. So at 30 I was out. And very publicly out. What had been the focus of my entire adult life was gone, and it was devastating.

I really didn't know what to do for a few months. I felt that I had let the previous generation of entrepreneurs down – that I had dropped the baton as it was being passed to me. I met with David Packard and Bob Noyce and tried to apologize for screwing up so badly. I was a very public failure, and I even thought about running away from the valley. But something slowly began to dawn on me — I still loved what I did. The turn of events at Apple had not changed that one bit. I had been rejected, but I was still in love. And so I decided to start over.

I didn't see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me. The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life.

During the next five years, I started a company named NeXT, another company named Pixar, and fell in love with an amazing woman who would become my wife. Pixar went on to create the world's first computer animated feature film, Toy Story, and is now the most successful animation studio in the world. In a remarkable turn of events, Apple bought NeXT, I returned to Apple, and the technology we developed at NeXT is at the heart of Apple's current renaissance. And Laurene and I have a wonderful family together.

I'm pretty sure none of this would have happened if I hadn't been fired from Apple. It was an awful tasting medicine, but I guess the patient needed it. Sometimes life hits you in the head with a brick. Don't lose faith. I'm convinced that the only thing that kept me going was that I loved what I did. You've got to find what you love. And that is as true for your work as it is for your lovers. Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle. As with all matters of the heart, you'll know when you find it. And, like any great relationship, it just gets better and better as the years roll on. So keep looking until you find it. Don't settle.

My third story is about death.

When I was 17, I read a quote that went something like: "If you live each day as if it was your last, someday you'll most certainly be right." It made an impression on me, and since then, for the past 33 years, I have looked in the mirror every morning and asked myself: "If today were the last day of my life, would I want to do what I am about to do today?" And whenever the answer has been "No" for too many days in a row, I know I need to change something.

Remembering that I'll be dead soon is the most important tool I've ever encountered to help me make the big choices in life. Because almost everything — all external expectations, all pride, all fear of embarrassment or failure – these things just fall away in the face of death, leaving only what is truly important. Remembering that you are going to die is the best way I know to avoid the trap of thinking you have something to lose. You are already naked. There is no reason not to follow your heart.

About a year ago I was diagnosed with cancer. I had a scan at 7:30 in the morning, and it clearly showed a tumor on my pancreas. I didn't even know what a pancreas was. The doctors told me this was almost certainly a type of cancer that is incurable, and that I should expect to live no longer than three to six months. My doctor advised me to go home and get my affairs in order, which is doctor's code for prepare to die. It means to try to tell your kids everything you thought you'd have the next 10 years to tell them in just a few months. It means to make sure

everything is buttoned up so that it will be as easy as possible for your family. It means to say your goodbyes.

I lived with that diagnosis all day. Later that evening I had a biopsy, where they stuck an endoscope down my throat, through my stomach and into my intestines, put a needle into my pancreas and got a few cells from the tumor. I was sedated, but my wife, who was there, told me that when they viewed the cells under a microscope the doctors started crying because it turned out to be a very rare form of pancreatic cancer that is curable with surgery. I had the surgery and I'm fine now.

This was the closest I've been to facing death, and I hope its the closest I get for a few more decades. Having lived through it, I can now say this to you with a bit more certainty than when death was a useful but purely intellectual concept:

No one wants to die. Even people who want to go to heaven don't want to die to get there. And yet death is the destination we all share. No one has ever escaped it. And that is as it should be, because Death is very likely the single best invention of Life. It is Life's change agent. It clears out the old to make way for the new. Right now the new is you, but someday not too long from now, you will gradually become the old and be cleared away. Sorry to be so dramatic, but it is quite true.

Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma — which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition! They somehow already know what you truly want to become. Everything else is secondary.

When I was young, there was an amazing publication called The Whole Earth Catalog, which was one of the bibles of my generation. It was created by a fellow named Stewart Brand not far from here in Menlo Park, and he brought it to life with his poetic touch. This was in the late 1960's, before personal computers and desktop publishing, so it was all made with typewriters, scissors, and Polaroid cameras. It was sort of like Google in paperback form, 35 years before Google came along: it was idealistic, and overflowing with neat tools and great notions.

Stewart and his team put out several issues of The Whole Earth Catalog, and then when it had run its course, they put out a final issue. It was the mid-1970s, and I was your age. On the back cover of their final issue was a photograph of an early morning country road, the kind you might find yourself hitchhiking on if you were so adventurous. Beneath it were the words: "Stay Hungry. Stay Foolish." It was their farewell message as they signed off. Stay Hungry. Stay Foolish. And I have always wished that for myself. And now, as you graduate to begin anew, I wish that for you.

Stay Hungry. Stay Foolish.

Thank you all very much.

(Steve Jobs: Stanford News Service)

COMPREHENSION

I. Complete the table with the following dates. Put them into the right order.

1976, 1985, 1991, 1996, 2001, 2003, January 2009, 1980, 1984, 1997, December 2008, 1998, 2007.

	Apple founded by Steve Jobs, Steve Wozniak and Ronald Wayne. Wayne leaves soon afterwards, selling his 10% stake for \$800.
	The company floats on the stock market, making its founders multimillionaires.
	Apple launches the Macintosh computer, an innovative product that wins a huge commercial success.
	Wozniak leaves the firm to go back to college, while Jobs is forced out by chief executive John Sculley and the board. Jobs goes on to set up computing firm NEXT, while Sculley stays in charge until 1993.
	Apple launches the Powerbook laptop. Its trademark row with Apple Corps ends in Apple making a £15m payout to the Beatles and agreeing not to enter the music sphere.
	Apple's stock falls to an all-time low. Its purchase of NEXT brings Jobs back to the company.
	Jobs takes over as chief executive.
	Launch of the iMac desktop computer, followed in 1999 by the iBook.
	Jobs diagnosed with pancreatic cancer. Despite successful treatment, rumors about ill health persist.
	Launch of the iPhone.
	Jobs withdraws from giving the keynote address at next year's Macworld show in January, fuelling further speculation about his health.
	Jobs and Apple break their silence about Jobs's health, both releasing statements that blame his weight loss on a "hormone imbalance".

II. Complete the story.

2010	
2011	

III. Answer the questions.

- How was apple started?
- Why did Steve’s dismissal turn out to be a blessing in disguise?
- What is his most solid advice to start-ups and just youngsters?
- Why are these stories called “Love and Loss”?

FOLLOW-UP ACTIVITY

- I. Describe your life philosophy in short and lay out your recommendations how to spread your wings and fly high.
- II. Tell any epic success story that inspires you.

ADDITIONAL TEXTS FOR READING



Text 1

RELENTLESS PERFECTIONIST

Jobs's contribution? More than anyone else, he brought digital technology to the masses. As a visionary, he saw that computers could be much more than drab productivity tools. Instead, they could help unleash human creativity and sheer enjoyment. A marketing genius, he conceived of elegant products that captured consumers' imaginations. And as a relentless perfectionist, he came up with creations that actually delivered on their promise -- raising the bar for rivals. "From the time he was a kid, Steve thought his products could change the world," says Lee Clow, chairman of TBWA.

So far, 49-year-old Jobs has done just that three times. Soon after he formed Apple in 1976 with high school friend Steve Wozniak, the Apple II became the first PC to hit it big. While the power of computing formerly had been available only to techies, it was suddenly delivered to classrooms, dens, and offices. A quarter-century later, he rocked the music business with Apple's iPod music player and iTunes online store. This created a blueprint for the music biz in the Net era. And his Pixar Animation Studios was the first to show that computer animation could be used to tell imaginative, touching stories.

In many ways, Jobs's career is the definitive Silicon Valley story. Growing up with his adopted parents when the area was dotted with fruit orchards, he caught the tech bug early. He got his first job at 12 after calling Hewlett-Packard Co. (HPQ) President Bill Hewlett and landing an internship. Using HP as their model, he and "Woz" focused only on breakthrough products. Apple's blockbuster initial public offering in 1980 made Jobs tech's first celebrity CEO. Then came the Mac in 1984. The first to pack new-fangled ideas such as icons, the mouse,

and computer graphics into one easy-to-use machine, the Mac cemented Jobs's standing as a prodigy.

His youthful perfectionism nearly killed his career. When the original Mac fell short of expectations, he refused to alter its features and was booted from Apple in 1985. At his next company, NeXT Inc., he created a \$10,000 PC that was packed with innovations, but too pricey for the market. More worrisome, Jobs poured \$50 million of his own money into the struggling Pixar.

His reversal of fortune began in 1995. Pixar's Toy Story became a box-office smash. Then, just months after Apple bought NeXT for \$400 million in 1996, Jobs took the helm of the foundering company. He quickly breathed life back into it, with the lovable iMac. Then came the iPod in 2001, and iTunes in 2003 -- the first time anyone had convinced all the major record labels to sell their songs online.

Few doubt Jobs' management chops anymore. And with his prognosis looking good, he's back working part-time. "That was one of the things that came out of this whole experience [with cancer]. I realized that I love my life. I love [being with] my family, and I love [running] Apple and Pixar. I am very lucky." Given his track record, so are the world's consumers.

Lee Clow

Text 2

LIFE LESSONS FROM STEVE JOBS

Life is small and we all shall die one day. Yet we never think about this stark reality and keep living like robots. The message from of the universe is :

Go Slow. Do what you Love. You are not here for eternity.

Here's a selection of some of the most insanely great things he said, golden lessons to help you succeed in life, Jobs-style:

1. Steve Jobs said: "Innovation distinguishes between a leader and a follower."

Innovation has no limits. The only limit is your imagination. It's time for you to begin thinking out of the box. If you are involved in a growing industry, think of ways to become more efficient; more customer friendly; and easier to do business with. If you are involved in a shrinking industry – get out of it quick and change before you become obsolete; out of work; or out of business. And remember that procrastination is not an option here. Start innovating now!

2. Steve Jobs said: "Be a yardstick of quality. Some people aren't used to an environment where excellence is expected."

There is no shortcut to excellence. You will have to make the commitment to make excellence your priority. Use your talents, abilities, and skills in the best way possible and get ahead of others by giving that little extra. Live by a higher standard and pay attention to the details that really do make the difference. Excellence is not difficult – simply decide right now to give it your best shot – and you will be amazed with what life gives you back.

3. Steve Jobs said: “The only way to do great work is to love what you do. If you haven’t found it yet, keep looking. Don’t settle. As with all matters of the heart, you’ll know when you find it.”

I’ve got it down to four words: “Do what you love.” Seek out an occupation that gives you a sense of meaning, direction and satisfaction in life. Having a sense of purpose and striving towards goals gives life meaning, direction and satisfaction. It not only contributes to health and longevity, but also makes you feel better in difficult times. Do you jump out of bed on Monday mornings and look forward to the work week? If the answer is ‘no’ keep looking, you’ll know when you find it.

4. Steve Jobs said: “You know, we don’t grow most of the food we eat. We wear clothes other people make. We speak a language that other people developed. We use a mathematics that other people evolved... I mean, we’re constantly taking things. It’s a wonderful, ecstatic feeling to create something that puts it back in the pool of human experience and knowledge.”

Live in a way that is ethically responsible. Try to make a difference in this world and contribute to the higher good. You’ll find it gives more meaning to your life and it’s a great antidote to boredom. There is always so much to be done. And talk to others about what you are doing. Don’t preach or be self-righteous, or fanatical about it, that just puts people off, but at the same time, don’t be shy about setting an example, and use opportunities that arise to let others know what you are doing.

5. Steve Jobs said: “There’s a phrase in Buddhism, ‘Beginner’s mind.’ It’s wonderful to have a beginner’s mind.”

It is the kind of mind that can see things as they are, which step by step and in a flash can realize the original nature of everything. Beginner’s mind is Zen practice in action. It is the mind that is innocent of preconceptions and expectations, judgments and prejudices. Think of beginner’s mind as the mind that faces life like a small child, full of curiosity and wonder and amazement.

6. Steve Jobs said: “We think basically you watch television to turn your brain off, and you work on your computer when you want to turn your brain on.”

Reams of academic studies over the decades have amply confirmed television’s pernicious mental and moral influences. And most TV watchers know that their habit is mind-numbing and wasteful, but still spend most of their time in front of that box. So turn your TV off and save some brain cells. But be cautious, you can turn your brain off by using a computer also. Try and have an intelligent conversation with someone who plays first person shooters for 8 hours a day or auto race games, or role-playing games.

7. Steve Jobs said: “I’m the only person I know that’s lost a quarter of a billion dollars in one year.... It’s very character-building.”

Don’t equate making mistakes with being a mistake. There is no such thing as a successful person who has not failed or made mistakes, there are successful people who made mistakes and changed their lives or performance in response to them, and so got it right the next time. They viewed mistakes as warnings rather than signs of hopeless inadequacy. Never making a mistake means never living life to the full.

8. Steve Jobs said: “I would trade all of my technology for an afternoon with Socrates.”

Over the last decade, numerous books featuring lessons from historical figures have appeared on the shelves of bookstores around the world. And Socrates stands with Leonardo da Vinci, Nicholas Copernicus, Charles Darwin and Albert Einstein as a beacon of inspiration for independent thinkers. But he came first. Cicero said of Socrates that, “He called philosophy down from the skies and into the lives of men.” So use Socrates’ principles in your life, your work, your learning, and your relationships. It’s not about Socrates, it’s really about you, and how you can bring more truth, beauty and goodness into your life everyday.

9. Steve Jobs said: “We’re here to put a dent in the universe. Otherwise why else even be here?”

Did you know that you have big things to accomplish in life? And did you know that those big things are getting rather dusty while you pour yourself another cup of coffee, and decide to mull things over rather than do them? We were all born with a gift to give in life, one which informs all of our desires, interests, passions and curiosities. This gift is, in fact, our purpose. And you don’t need permission to decide your own purpose. No boss, teacher, parent, priest or other authority can decide this for you. Just find that unique purpose.

10. Steve Jobs said: “Your time is limited, so don’t waste it living someone else’s life.

Don’t be trapped by dogma – which is living with the results of other people’s thinking. Don’t let the noise of other’s opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition! They somehow already know what you truly want to become. Everything else is secondary.”

Are you tired of living someone else’s dream? No doubt, its your life and you have every right to spend it in your own individual way without any hurdles or barriers from others. Give yourself a chance to nurture your creative qualities in a fear-free and pressure-free climate. Live a life that YOU choose and be your own boss.

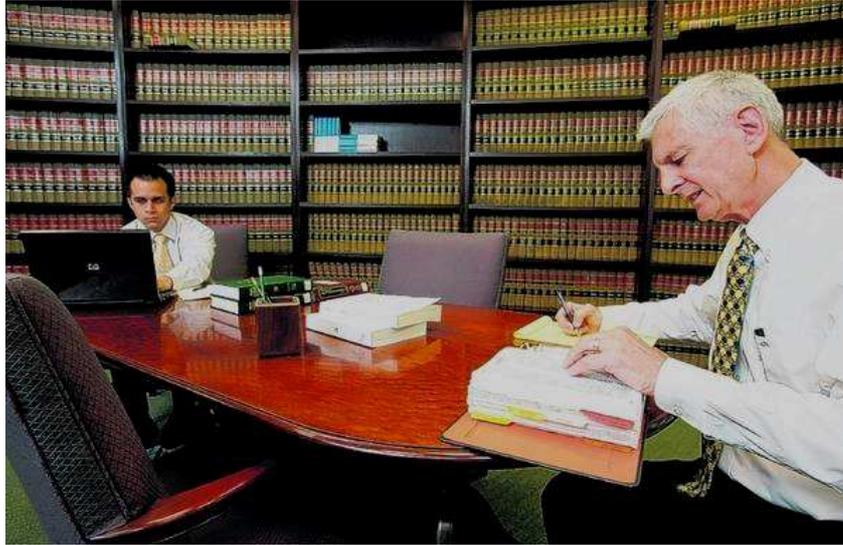
Each lesson might be difficult to integrate into your life at first, but if you ease your way into each lesson, one at a time, you’ll notice an immediate improvement in your overall performance. So go ahead, give them a try.

Peter Burrows January 16th, 2009

UNIT 5



JOB SATISFACTION



GENERATION Y GOES TO WORK

Reality bites for young workers. Generation Y is sociable, friendly, doesn't believe in working only in cubicles and is changing everything.

PRE-READING TASK

I. What do you expect from your future employer?

II. What sacrifices are you ready to make in order to achieve your goals?

The head of recruitment for a law firm in Florida Jessica Bushsbaum first noticed that something had changed. She was used to interviewing young candidates for summer internships who seemed to think that the world owed them a living. Many applicants expected the firm to promote itself to them rather than the other way around. However, last May's crop were far more humble. "The tone had changed from "What can you do for me?" to "Here's what I can do for you," she says.

The global downturn has been a brutal awakening for the youngest members of the workforce - variously dubbed "the Millennials", "Generation Y" or "the Net Generation" by social researchers. "Net Geners" are, roughly, people born in the 1980s and 1990s. Those old enough to have passed from school and university into work had got used to a world in which jobs were plentiful and firms fell over one another to recruit them. Now their prospects are grimmer. According to America's Bureau of Labor Statistics, the unemployment rate among people in their 20s increased significantly in the two most recent recessions in the USA. It is likely to do so again as industries such as finance and technology, which employ lots of young people, axe thousands of jobs.

This is creating new problems for managers because in the downturn, Net Geners are finding it harder to hop to new jobs. At the same time, their dissatisfaction is growing as crisis-hit firms adopt more of a command-and-control approach to management - the antithesis of the open, collaborative style that young workers prefer. Less autonomy and more directives have

sparked complaints among Net Geners that offices and factories have become "pressure cookers" and "boiler rooms". The recession is creating lower turnover, but also higher frustration among young people stuck in jobs.

Such griping may reinforce the stereotype of young workers as being afraid of hard work - more American Idle than American Idol. Yet a survey of 4,200 young graduates from 44 countries found that they want many of the same things from work as previous generations, including long tenure with a small number of employees. And they are willing to put in hours to get them, if they are treated well.

Indeed, Net Geners may be just the kind of employees that companies need to help them deal with the recession's hazards. For one thing, they are accomplished at juggling many tasks at once. For another, they are often eager to move to new roles or countries at the drop of a hat - which older workers with families and other commitments may find it harder to do. Such flexibility can be a boon in difficult times. "In the economic downturn what we are really looking for is hungry 25- to 35- year-olds who are willing to travel," says Frank Meehan, the boss of a fast growing mobile phone business, a conglomerate based in Hong Kong.

Net Geners' knowledge of internet technology can also help companies save money. Consider the case of Best Buy, a big American consumer-electronics retailer. Keen to create a new employee portal, the firm contacted an external consultancy that quoted it a price of several million dollars. Shocked by this, a group of young Best Buy employees put together a small team of developers from their own networks who produced a new portal for about \$250,000. Best Buy is betting that its Net Geners can come up with new ways of boosting sales using the web and other means. "We will weather the storm and be stronger because of the Net Generation," says Best Buy's head of internet strategy. Ester Lauder, a cosmetics firm, is also encouraging Net Geners to help it innovate. It has launched an initiative called iForce which brings together young staff to dream up ways of marketing products using emerging technologies.

Programs such as iForce are based on the notion that Net Geners are well placed to encourage their peers to dig into their pockets. Generation Y places more emphasis on personal recommendations than on brands when deciding which products and services to buy. Hence the importance of hanging on to clever youngsters who have grown up with Facebook, MySpace and so forth, and who know how the best to create buzz among their peers.

Managing Net Geners firms need to provide regular feedback to young staff on what is happening in the workplace and why as well as plenty of coaching on their performance. Companies that keep them in the dark will find themselves the targets of unflattering criticism both inside the firm and online.

In the end, compromises will have to be made on both sides. Younger workers will have to accept that in difficult times decisions will be taken more crisply and workloads will increase. Their managers, meanwhile, will have to make extra effort to keep Net Geners engaged and motivated. Firms that cannot pull off this balancing act could see an exodus of young talent once the economy improves. That, to borrow from Net Geners' text message shorthand, would be a huge WOMBAT: a waste of money, brains and time.

(The Economist Dec 30th 2008)

COMPREHENSION

I. Look through the whole article and put these paragraph summaries into the correct order.

	Young staff is well placed to dream up new ways of marketing. They are good at encouraging their peers to dig into their pockets and at creating buzz around new products.
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	The economic downturn is creating new problems for managers. Lower turnover builds up higher frustration among young people. Net Geners stuck in jobs are forced to put up with less autonomy and more directives.
	Companies should be prepared to make compromises. They need to provide regular feedback to young staff and coaching on their performance in order to prevent exodus of young talent.
	Net Geners' knowledge of the internet can also help companies save money and innovate business process using emerging technologies.
	A few years ago Net Geners seemed to think that the world owed them a living. They expected firms to promote themselves to them.
	The recent recession has been a brutal awakening for Net Geners. The unemployment rate among the youngest members of the workforce has increased significantly as industries axe thousands of jobs.
	Flexible, juggling many tasks at once, striving to get a diagonal promotion Net Geners may be just the kind of employees that companies are really looking for in difficult times.

II. Answer the following questions.

1. What did Net Geners used to expect from their employers a few years ago? What world did they used to live in?
2. How have their prospects changed recently?
3. Which management style do young workers prefer?
4. Are they going to be new business Idols or Idles?

FOLLOW-UP ACTIVITY

I. Write a SWOT analysis of your generation.

II. Work out some recommendations how to manage them efficiently and to make the best use of their potential

ADDITIONAL TEXTS FOR READING

Text 1

GENERATION Y - THEY DON'T LIVE FOR WORK ... THEY WORK TO LIVE

Teenagers and young adults - the so-called Generation Y - have watched with horror as their parents worked punishing hours in their scramble for money and status. Now, as this group go in search of jobs, they have different priorities. They care less about salaries, and more about

flexible working, time to travel and a better work-life balance. And employers have to meet their demands. Anushka Asthana reports

Settling down on the shiny black sofa in the front room of their student house in Jesmond, Newcastle, Ailsa McNeil and her flat mates discuss what they would do once they had left university.

'The idea of moving into the financial world of London and working long hours inside a massive company does not appeal to me,' said McNeil, placing a textbook down on the cream carpet, among scattered magazines, scarves and revision notes. The 20-year-old had a final-year exam for her economics degree the next day.

People in their late teens and early twenties, she argued, were far keener to have a 'good life with a standard amount of money' than 'slog' their guts out like their parents. 'I saw my mum and dad work really hard, but my work ethic is different,' said McNeil. 'I want to do well but I want to have great fun in life. Money and work are not the be all and end all. If you put all your effort into your job you lose sense of what you are living for.'

McNeil is not alone. New research has found that a similar attitude to work is burgeoning among the group of people known as Generation Y - usually defined as those between the ages of 11 and 25. A study of more than 2,500 people born after the early Eighties found that they were rebelling against their parents' values and were determined not to lead lives that revolved so heavily around the world of work.

Instead, they were ready to resign if their jobs were not fulfilling and fun, with decent holidays and the opportunity to take long stretches off for charity work or travel. Salary and status were not high on the priority list, according to the study by Talentsmoothie, a firm that consults companies in banking, professional services and the law on the changing workforce.

Here is a group that has never known, or even witnessed hardship, recession or mass unemployment and does not fear redundancy or repossession, according to researchers. The result is a generation that believes it can have it all and is not embarrassed to ask for it; a generation that will constitute the majority of the workforce within a decade.

That is why major companies, embroiled in the battle to attract the very best graduates, are doing whatever they can to lure them in. 'The previous generation saw work as a primary part of life,' said Madalyn Brooks, HR director at Procter and Gamble. 'When they left education, work was a dominant part of what they did and they were not looking for time out. Now we are seeing the growth of a different profile of candidate. They have grown up in relatively affluent families. They want to be sure that they can strike a balance between work and their personal life, and so the opportunity to take time off, to travel, to work for a company with a strong social responsibility record, these are all concerns that we increasingly hear when recruiting talent.'

Procter and Gamble has already adapted its recruitment efforts and what it offers to meet the needs of Generation Y. Instead of just stressing higher salaries, this international company is highlighting the opportunity for flexible hours, the chance to work from home, the offer of up to a year of 'family leave' to look after children or elderly parents, and the promise of regular three-month sabbaticals. Similar packages are being offered by companies across Britain.

In his open-plan office in the centre of Aberdeen, Simon Chinn, 25, a senior consultant at a recruitment agency, rushed between meetings last week. He admitted that one thing that attracted him to the firm, Thorpe Molloy Recruitment, was the fact that it was flexible when employees asked for time off. In two cases colleagues travelled for a year before returning to the same job.

Chinn argued that it also played an important role for the candidates he was helping to recruit. 'There is an oil service company in Aberdeen that has a very attractive benefits package,' he gave as an example. 'There is a good pension, gym membership in the office, opportunities for travel and sabbaticals. People can take time out and come back to the job. That does attract the best talent.'

The fact that young people changed jobs more frequently, argued Chinn, meant they were less willing to put up with long hours or poor holidays. Officials in the US have estimated that a

typical member of Generation Y will have 10 jobs by the age of 38. 'People think, why stay in a job you do not enjoy?' he said.

In Newcastle, McNeil and her flat mates reached a similar conclusion. 'If a company offers more flexibility, it is a sign that it has the type of culture you would want to join,' said the undergraduate, who has signed up to the Milkround, a graduate recruitment network.

The fact that she now receives more than 20 emails a day from employers makes her feel more confident about her future options: 'It is as if people expect to get a job. I also think that, unlike our parents, we feel like we have financial back-up if things go wrong. But I guess that could change if we enter a recession.'

It is the lack of a significant downturn in the economy over the past decade and a half that is driving the new attitude, say experts. Generation Y: what they want from work, the research from Talentsmoothie, concluded: 'They have only ever known economic prosperity. They have many choices: gap years and extensive travel are the norm. They can join a company, or set up their own. They have seen their parents in stressful jobs, working long hours, and realize that hard work for big companies apparently does not bring prosperity and happiness, or make the world a better place. They want their lives to be different - and this shows. If they are dissatisfied, they resign.'

The study found that 85 per cent of Generation Y wanted to spend 30 per cent to 70 per cent of their time working from home. More than half wanted a flexible working arrangement.

The top priority when choosing a job was 'doing work that I love'. 'Earning lots of money' was far behind, in seventh place. When it came to walking away from an employer, a lack of motivation was the top reason followed by a work-life balance leaning too far towards the job. 'The Boomer generation [who are over 45] created the culture of long working hours and Xers [aged between 28 and 45] reluctantly accepted it,' the report said. 'But not Generation Y. While they are not work-shy, they don't live to work. They will get the job done on time ... but on their own terms.'

The confidence, it said, came from a feeling of security: 'Unlike Xers and Boomers, they are not remotely daunted by the specter of unemployment.'

Simon Walker, a founding director of Talentsmoothie, said this generation considered work something to do, not somewhere to go. 'As long as they achieve what they need to they are not worried about being seen to do it at their desks,' he said, explaining why things were different for the older generation. 'I am 40 and when I was 10, 12, 14, there was the winter of discontent, Thatcherism and miner strikes. Three million were unemployed, so subconsciously employment was seen as precious and there was no such thing as a secure job. For the next generation, there was full employment, unprecedented economic growth. Their attitude is: "If I can't get one job, I will get another one." They are not preconditioned, like many of us, to be cautious of authority.'

In fact, the research found that younger workers were far more willing to challenge managers and were undeterred by traditional hierarchy. Walker said he was trying to help 'Boomer' and 'Xer' managers to understand the new attitude and not get frustrated by it. Much of what the workers were demanding, he said, such as work-life balance, personal development, exciting jobs and motivating managers, would be welcomed by older workers as well. But the clash of values was causing friction in offices.

In one case, outlined in the study, a chief executive of a large insurance firm emailed thousands of employees to inform them about a major decision. Sitting at his desk in the middle of the huge office, James, 24, who had recently joined the firm, told his older colleagues he disagreed with what had been done. He quickly decided to share his feelings with the head of the company and sent his thoughts directly to him in an email.

Within minutes, a reply popped up on James's screen: 'I have been running this company for 10 years; I think I know what I am doing.' Still undeterred, he hit back: 'I realize this is an uncomfortable conversation but I am not the only one that disagrees with you.' Luckily he was able to convince the boss that he was not simply being rude.

The overconfidence of Generation Y is proving a challenge for employers. This summer the Association of Graduate Recruiters will host a conference, at which delegates will debate how far firms need to go towards accommodating the desires of younger workers and how seriously they should take the concept of Generation Y.

Carl Gilleard, chief executive of the AGR, recently described young workers as 'opinionated' and more demanding of employers. He said: 'One colleague who recently faced a barrage of questions about what her firm will give one young man, was forced into reacting with the question, "And what are you going to give us?"'

While warning that those who did not make an effort to respond to the needs of this group would end up 'dead in the water', Gilleard added: 'Just how far do employers lean over backwards before they end up being horizontal?' Others felt that companies should not 'overreact' to the new values and attitudes, warning that things could soon change again.

Helen Bostock, global head of campus recruiting for the investment bank Credit Suisse and a board member of the AGR, said: 'A few years ago I recall the dotcom bubble when everyone was trying to reinvent themselves with an entrepreneurial culture. Now it is generational theory. What happens is that employers get sucked into the whole thing, then the pendulum swings one way or another. One thing that is consistent is that there is always something we are tackling. If it is not work-life balance, it is diversity, inclusion or something else.'

'In reality large graduate recruiters take much longer to change and there is a danger that employers will overreact and reinvent themselves as something they are not.' Bostock gave the example of the 'dress-down' craze, when thousands of firms encouraged their employees to come to work in more casual attire each Friday. 'That does not happen now, people have largely returned to the world of suits,' she said.

Given her global role, Bostock argued that Generation Y differed from country to country and warned that the time for UK graduates to be complacent about job opportunities would soon come to an end.

'There are highly talented individuals from China and India heading our way,' she said. 'They are hungry, focused on work and focused on academic success. Just look at the number of high-achieving Asian women studying mathematics and science compared with home-grown students. This generation is facing different challenges.'

Walker said he planned to look at how attitudes differed across the world. He argued that 'generational attitudes' were partly dictated by age but also circumstances. In China, Generation Y was made up of only-children, as a result of the one-child policy, who grew up through difficult economic times. They would have very different values to their British counterparts, he said.

In Britain, meanwhile, there would be people of all ages who shared typical Generation Y attitudes, he argued, but they would be far more common within the age group. One of those attitudes, according to research by Walker and others, is an overwhelming desire to be fulfilled in their jobs.

A study in 2004 carried out by Common Purpose, an organization that offers training for leaders and managers, found that those who were not getting satisfaction at work were hitting a 'quarter-life crisis'. Searching for Something concluded that employers had to accommodate young workers' wider ambitions or risk losing them by the age of 30.

'We see young people that are searching for some sort of meaning in life and if you can't align their values with the organization they might leave,' said Julia Middleton, the group's chief executive. 'I think life is cyclical - and there is a return to people searching for meaning and searching for values.'

Middleton agreed that economic prosperity had fuelled the values of Generation Y. 'If you haven't had money or faced the serious threat of not having money, you take money much more seriously,' she argued. 'We have a generation that has not felt the threat for some time.'

Now, for the first time in many years that threat is returning. While it may come as an uncomfortable shock for those self-assured members of Generation Y, it could also create a whole new work ethic among the toddlers and babies that constitute Generation Z; born after 2002 they still have a long way to go before they are thrown into a whole new world of work.

I don't want my parents' life. Aditi Horsburgh, 25, works as a PA in London

My dad works in the hotel industry, and that is a 24-hour job. He has always worked really hard. A lot of the time he could not take holidays or spend time with us. I appreciate what he did, but I don't want that to be my life. I don't want work to be so full-on that you cannot enjoy your family. I think my father's attitude came from the fact that he did not have much when he was growing up. I am in a different situation. My parents worked very hard to give me what I wanted, and I am really grateful for that. I know that if I want to carry on with that lifestyle I will need to work, but I want to find a balance. I did a degree in business studies at Bristol University. Then I went to India to work for two years before doing an MA in media in London. I was looking for a job and I got in contact with Portfolio, a recruitment and headhunting firm for senior executive appointments in the leisure and hospitality industries. They offered me a job as PA to the chief executive and I hope they will train me up to become a consultant.

Obviously I want something to pay the bills, but I am also interested in the work environment. I want to work close to home so I don't have to commute too much. I value my free time and I love to travel. The company I work for is quite flexible with time off. I am taking three weeks in the summer to go glacier tracking in India. Others have gone on three-month sabbaticals.

From the Baby Boomers to Generation Z

As the war ended and the servicemen returned on a high, the Baby Boomers were conceived en masse. Born between 1946 and 1964, their early memories may include watching Bobby Moore lift the World Cup, the day Neil Armstrong stepped onto the Moon and the Vietnam War. As they grew up they donned mini and maxi skirts and bell-bottoms, listened to the Beatles and the Rolling Stones on vinyl, smoked cannabis, maybe dabbled with LSD, and took the new contraceptive pill. Next came Generation X, born between 1965 and 1982. Raised on television and early computers, they have been unkindly labeled by some the 'me generation' of the Eighties. They were the punks of the Seventies, listening to the Sex Pistols and the Buzzcocks. Lots were teenagers when cassettes made way for CDs. They wore leg warmers and ra ra skirts, shoulder pads and snoods. Most remember the Cold War, the miners' strike, the birth of Thatcherism and the yuppie. Some smoked cannabis or took mushrooms while City high-fliers splashed out on cocaine.

The Baby Boomers' children are Generation Y. Dubbed the 'internet generation', they owned computers and mobile phones, write blogs, listen to their iPods and download music. Born between 1982 and 2002, the older ones will remember the rise of boy-bands and Brit Pop. They loved Take That and the Spice Girls, Oasis and Blur. Some of them dabbled with ecstasy and witnessed the rise of the super-club. They watched shows such as Big Brother and Pop Idol as reality television took off. They roamed the streets in hoodies.

A lack of memory of life before the war on terror defines Generation Z. They are toddlers and babies, born after 2002. They probably spend their time learning baby yoga.

(Anushka Asthana The Observer, Sunday 25 May 2008)

MANAGING THE FACEBOOKERS

The balance of power between old-school managers and young talent is changing—a bit



THEIR defenders say they are motivated, versatile workers who are just what companies need in these difficult times. To others, however, the members of “Generation Y”—those born in the 1980s and 1990s, otherwise known as Millennials or the Net Generation—are spoiled, narcissistic layabouts who cannot spell and waste too much time on instant messaging and Facebook. Ah, reply the Net Geners, but all that messing around online proves that we are computer-literate multitaskers who are adept users of online collaborative tools, and natural team players. And, while you are on the subject of me, I need a month’s sabbatical to recalibrate my personal goals.

This culture clash has been going on in many organizations and has lately seeped into management books. The Net Geners have grown up with computers; they are brimming with self-confidence; and they have been encouraged to challenge received wisdom, to find their own solutions to problems and to treat work as a route to personal fulfillment rather than merely a way of putting food on the table. Not all of this makes them easy to manage. Bosses complain that after a childhood of being coddled and praised, Net Geners demand far more frequent feedback and an over-precise set of objectives on the path to promotion (rather like the missions that must be completed in a video game). In a new report from PricewaterhouseCoopers, a consultancy, 61% of chief executives say they have trouble recruiting and integrating younger employees.

For the more curmudgeonly sort of older manager, the current recession is the joyful equivalent of hiding an alarm clock in a sleeping teenager’s bedroom (see article below). Once again, the touchy-feely management fads that always spring up in years of plenty (remember the guff about “the search for meaning” and “the importance of brand me”) are being ditched in favor of more brutal command-and-control methods. Having grown up in good times, Net Geners have labored under the illusion that the world owed them a living. But hopping between jobs to find one that meets your inner spiritual needs is not so easy when there are no jobs to hop to. And as for that sabbatical: here’s a permanent one, sunshine.

Today’s narcissistic layabout is tomorrow’s talent

In fact, compromise will be necessary on both sides. Net Geners will certainly have to temper some of their expectations and take the world as it is, not as they would like it to be. But their older bosses should also be prepared to make concessions. The economy will eventually recover—and demographic trends in most rich countries will make clever young workers even more valuable. Besides, many of the things that keep Net Geners happy—such as providing more coaching to young employees or embracing cheaper online ways to communicate—are worth doing anyway. But for the moment at least, the Face bookers are under the cosh.

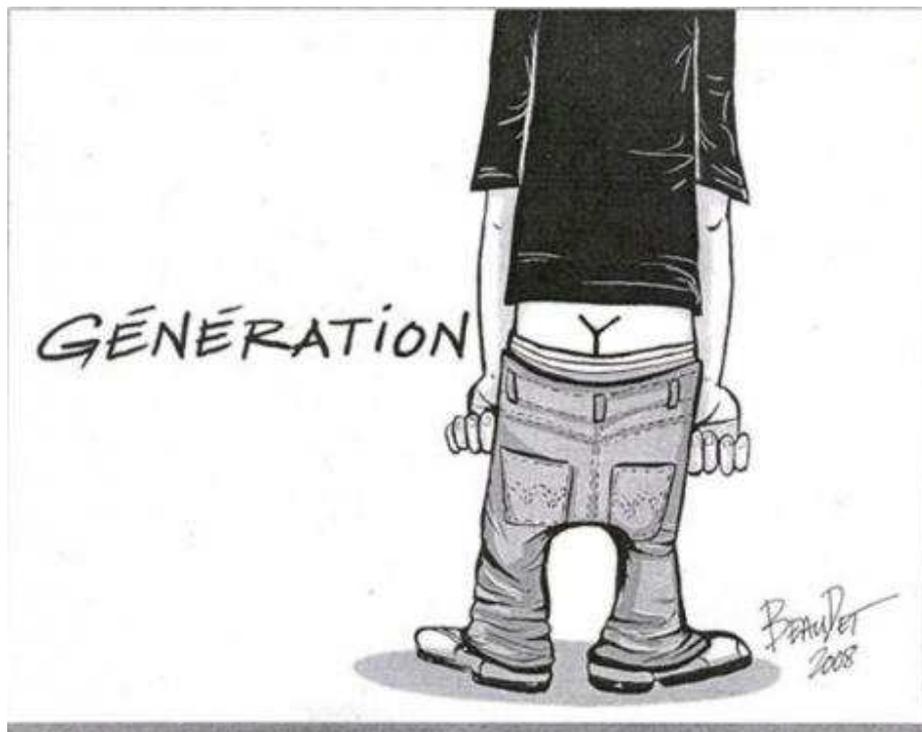
(Dec 30th 2008 From The Economist print edition)

Text 3

GENERATION Y GOES TO WORK ... A HOT TOPIC

We've all read the articles, blogs, interviews and tips about how to deal with all your new Gen 'Y'ers in the workplace. As a Gen 'Y' myself, I'd like to be able to tell you that these things don't accurately describe us and you can't just slap one big label on us and think it covers the whole spectrum of our being . . . but that's exactly what these articles will tell you we would say.

It's true, we have charged full-force into the workplace and are just getting started or have begun climbing the latter toward the great things that most Gen 'Y'ers hope to achieve. We are a generation that grew up on Saved By the Bell, The Simpsons, Gulf War I, grunge music, the computer, the internet, an American economic explosion, Ross & Rachel, reality TV, the slow death of radio and newspaper, Furby, and Conan O'Brien. And among all of these things, I believe that we have been lead toward our most fundamental strength, and weakness . . . the idea that greatness is achieved by working smarter, not harder.



It's a blessing and a curse, really. We want to be great and make lots of money but we don't want to have to work hard for the rest of our lives to do it. We come up with amazingly inventive ideas that will one day revolutionize the world we live in, but we'd rather "invent" while on a ski lift in Utah or out surfing in San Diego. Things have come easier for us. Refer to a blog I wrote few weeks ago; you think Yellow Pages are outdated? We don't even know how to use them. We're a technology generation where we expect fast results in a "now" environment. We were given trophies for getting 7th place in Tee-Ball and everyone made any team they tried out for. These things have given us, as a generation, a sense of entitlement to what we are, what we've been, and what we will be.

The point is that Gen Y is prepared to work hard if we believe it is in the right direction, if it is building toward the right future, and if it's something we like doing. We want accommodation. We're known to leave well paying jobs if it's not enjoyable for us. We're known to prefer working from home rather than at the office. We're known for being more likely to finish a project at 5 a.m. than 5 p.m. We're known for absolutely amazing and innovative work . . . in the right environment. We're known to want feedback, constantly and immediately. We're known to not take criticism very well if it's not given the right way. We're known to not want to be "ordered" what to do, but also that we need guidelines with which to work under. We're known to be the most intelligent and tech-savvy generation to date. We're known to be somewhat arrogant in the way we present our work. We're known to expect rewards for good work, whether it is a raise, bonus, title, etc . . . and we want them abundantly. We're known to be individualistic, not eager to become part of a big corporate machine, but to know what we specifically are doing to help our company or cause.

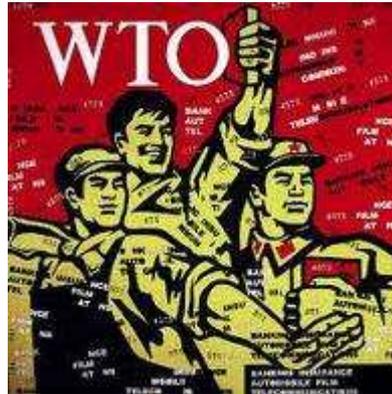
We're known for many things . . . but the underlying theme of what we are is that we don't want to work for someone, we want to work with them, and we don't want to labor in a "9 to 5" for the next 40 years of our lives. We want to be at a place where work is interesting and something we truly care about. Acceptable or not, we're the future of the business.

(Posted by Stu Haack on Wednesday, August 12, 2009 Under: advertising)

UNIT 6



RISKS OF GLOBALISATION



FAILED SEARCH

PRE-READING TASK

I. What business risks do companies stand entering any overseas markets?

II. What opportunities and threats can be faced by Western internet firms in China?

Western internet firms have found a big market in China, but few opportunities

Barring an unlikely reconciliation, it is all but certain, that by the end of March Google will withdraw from China, a place where it has succeeded commercially but failed to convince the authorities that information wants to be free. The expected departure comes after several attempts to back its e-mail system, ever stronger censorship of its researches, legal complaints tied to its digitization of books, and – always a worrying sign in China – growing vitriol in the state-controlled press.

If Google, which first raised the prospect of withdrawal in January, seems to have hesitated on the way to the door, there are 400 million reasons why. That is the number of people in China, the government reckons, who use the internet. Increasingly, they are choosing it over other media, notably television, as a source of entertainment, information and opinion. Over the past decade revenues from digital advertising have grown exponentially, admittedly from a tiny base, and the trend will continue for some time.

Foreign companies operating in China have been *quick to see* this potential but *largely unable to grasp* it. Facebook, Twitter and YouTube are all explicitly blocked. EBay faltered because of its own managerial errors, but also because of delayed approval for PayPal, its online payment system, which later announced a partnership with a Chinese rival. Yahoo! caused a stir by allowing the Chinese authorities to probe its users' e-mails in a hunt for political dissidents – something it has since pledged not to do.

There are now domestic Chinese equivalents of all these sites – Baidu for Google, TaoBao for eBay, Renren for Facebook, QQ for instant messaging, games and social networking – and they all are doing well. The vast traffic they attract brings huge potential revenues and lots of useful data that could help them shape the internet in future, rather than merely following Western models.

To the extent that Western firms have seized on the growth of the internet in China, it has often been a marketing tool. Nestle has promoted coffee in a tea-drinking country with clever

online ads about the joy of a coffee break, and Nokia has run music promotions and competitions, accessed via its handsets, in conjunction with video sites.

Outright revenues from the internet may become even harder to capture in years to come as China takes further steps to control access. Content providers like Google have always needed to obtain local licenses, and have thus been required to have a Chinese subsidiary or partner. As awkward as this has been, new rules expand these impediments, requiring the licensing of domain names and, potentially, foreign sites as well.

Google's mooted departure sends a chilling message to companies that remain. Advertisers and workers can both see that they will be better off with entities the Chinese government favors, which means domestic firms. A withdrawal would also cast a new light on Google itself. It is often perceived to be successful because of advanced technology, but, as China shows, it thrives only to the extent that local laws permit it to link to content and distribute it without interference. Alter the legal environment and the commercial results are quite different.

COMPREHENSION

I. Complete the sentences.

1. China has a big market but
2. Google has succeeded commercially but
3. Big foreign companies operating in China were quick to see the market potential but.....
4. Yahoo pledged not to allow the Chinese authorities to probe its users e-mails but
5. Chinese online companies will not follow Western models but
6. China is predominantly a tea-drinking country but ...
7. Google is often perceived to be successful because of high-tech but ...

II. Answer the following questions.

1. What exacerbated the unstable standing of Google in Chinese market?
2. What made the company hesitate on its way to the door?
3. What are now domestic Chinese equivalents of all popular Western sites?
4. What steps is China making nowadays to control the internet access?
5. Which entities does the Chinese government favor and why?
6. Do commercial results depend on legal environment of the country of operation?

FOLLOW-UP ACTIVITY

I. What utilities ought to know before doing business abroad?

II. Take any country and try to assess all top risks of doing business there. List them under the appropriate headings in the table below.

1. Personal security risk	3. Political risk
2. Reputational risk	4. Financial risk

III. What additional groups of risks can you identify? How can companies manage them?

ADDITIONAL TEXTS FOR READING

Text 1

GOING GLOBAL: THE TOP 10 RISKS

By Charles W. Thurston

Electric utilities and other power developers are re-configuring their formulas for measuring the host of dynamic risks associated with making large investments outside of their home countries. Even if there is a cyclical predictability to some of these risks-like the prices of basic commodities-other risks are largely unforeseen: that the United States would suffer a massive terrorist attack, that a company the size of Enron would fail, or that California regulators could get deregulation so wrong.

Foreign investments likely will be considered risky business as long as there are still projects to be done in a utility's home market that are considered to be economically viable. But as markets like the United States or the United Kingdom mature, and as regions like North America and the European Union exhibit slower electricity demand growth rates, higher growth-if more volatile-foreign markets seem appealing. In a good year, while gross domestic product is up 2 percent or 3 percent in the U.S., it may be up 7 percent or more in a fast-growing country in Asia or Latin America.

Still, for some companies, many of the risks abroad are no less challenging than some of the risks faced at home. "Political risk is everywhere, as opposed to the assumption by most investors who think it's safe to invest in the United States and not safe to invest outside the country," points out Ken Woodcock, a senior vice president and the head of investor relations for AES Corp., in Arlington, Va. With projects in more than 40 countries, AES has seen a number of the twists of risk in developing a project at home. For example, the company lost its environmental permit for its Cedar Bay, Fla., project due to "local opponents" after a year's work, he says. Other U.S. utilities that invested in the United Kingdom-a relatively mature market-were hit with an unexpected profit tax, which unilaterally changed the terms of deals done years earlier.

For some utilities, risk management is so natural that enumerating the variables may be a simplistic exercise. For others, new risks are emerging every day.

The Top 10 Risks of Foreign Investment

1) Diversification Risk

Part of the risk of investing overseas is determining what percentage of a utility's portfolio should be diversified geographically, outside of the country. Multilateral banks establish value ceilings for country lending based in part on the growth in those countries and the likelihood of repayment. But there is no hard and fast rule for such diversification for investor-owned utilities. Indeed, shareholders and other equity stakeholders may push a company overseas for higher returns, despite higher risk. Regardless of the mandate to diversify, the quality of the country or regional risk has to be determined on a case-by-case basis. "If a utility

has 20 percent of its investments in the United Kingdom, that's a lot different from 20 percent in Pakistan," says Susan Abbott, the managing director of project and infrastructure finance, at Moody's Investors Service, in New York. "We haircut utilities' foreign investments, because when they say, 'We are getting so much from Argentina,' we say, 'No, you are not,'" she explains.

The strategy of geographic diversification may be a function of the perceived term of investment with the associated long-term growth in demand rates. With power generation concessions carrying 20-year to 30-year terms, there are ample opportunities to amortize investments. "In looking at possible investments, we take a long view and look at a whole range of variables in a very disciplined approach before deciding to enter a market or pick up an asset. That provides the best risk management," says Stephen Morrissey, a spokesman for Duke Energy.

Just how much money is being risked in overseas electric generation, distribution and transmission plants? A bundle, reckons Bill Reinhardt, the editor of the 2001 International Projects Survey, which has tracked public-private partnership investments in infrastructure since 1985, including concessions and privatizations. Combining all forms of energy projects for the past 15 years, he calculates that there are 724 projects in various stages of planning, development, or operation globally, worth an estimated \$314.2 billion. Of these, only 282 had been financed by October, tapping an estimated \$145.3 billion. The trend of late is for governments to contribute little-if anything-to such development, placing the burden on the private sector.

Of course, the 724 projects are only a fraction of the investments made by the private sector globally. But experts believe 724 projects are probably a close number for those private sector investments in lesser-developed countries-which are usually done in partnership with a government or multilateral development institution. Also, private-sector investment banks are more comfortable with making loans for energy projects when the development institutions are involved, say analysts.

Regionally, the spread of the funded projects tracked by Reinhardt creates some surprising shapes in the bulge brackets. Asia accounts for 135, worth \$80 billion; Latin America accounts for 83, worth \$30.9 billion; Europe accounts for 39, worth \$23.9 billion; Africa and the Middle East account for 12, worth \$5.9 billion; and North America accounts for only 13 projects, worth \$4.6 billion, says the Harrison, New Jersey-based publisher. The as-yet-unfunded project tally is far higher for all the regions, suggesting that competition for funding is a race that constantly is accelerating.

With the United States and the European Union perceived to be the most stable markets in the world, it is not surprising that a high volume of investment flows between the two regions, albeit in different economic seasons. "Five or six years ago, everybody in the United States was looking for diversification in foreign projects, but a lot of them didn't achieve the earnings they expected, and in many cases, they got burned. So, assets traded hands with a blurring speed," says Phil Kassin, a partner in the Energy Utility Practice at PricewaterhouseCoopers Consulting, in New York. "Now we are seeing a reverse where some of the major global European utilities like E.ON, Centrica, National Grid and PowerGen have run out of running room in their own back yard and the United States is the land of expansion," he says.

2) Political Risk

The variations of political risk are many, given the levels of federal, state or local power that can come into play to affect a project. Federal or sovereign risk is perhaps the most compelling of political risks, especially in countries where there is a weak or divided congress. While Colombia's fiscal and monetary policies are such that the country deserves an investment-

grade rating from international risk assessors-like Fitch, Moody's and Standard & Poor's-such a high rating has eluded other countries-like Mexico-for years. If a government will not back the political risk in a project-from problems as basic as nationalization-then others will have to pay for the risk. In general, sovereign governments don't assume country risk these days: "Why should they if they don't have to?" asks Abbott, playing devil's advocate.

Still, some countries recognize that assuming country risk helps attract badly needed foreign investment, so governments take this extra step to assure inbound cash flows. "The government may accept political risk, as in Colombia, which permits commercial banks to come in for loans," observes Woodcock. But there are few countries in the world like Colombia, where a pipeline may suffer hundreds of bomb attacks per year.

Although the issue of the personal security of expatriate workers apparently has not yet been raised markedly in most countries, some multinational utilities are taking additional precautions against factors like sabotage, terrorism and kidnapping. "We've increased vigilance on security steps we already were taking, even with routine measures," says Robert Stibolt, the senior vice president of risk management and energy trading at Tractebel North America, in Houston.

3) Regulatory Risk

A large sub function of general political risk, regulatory risk, can be a function of a fickle government, or a function of a nascent regulatory regime, where concession and privatization implementation practices are evolving with virtually every deal. "We often coach governments for five years before they get their rules right," says AES' Woodcock. "They get the idea that they want to privatize, but the rules are unattractive to foreign investors. So, we may work with heads of state, with energy ministers, or with privatization ministers for as long as it takes to get a set of rules that allow us to put a good business together in a country," he says.

In situations where governments set a rate of profit return for a project, those utilities that find conditions do not match concession contract terms can be left out in the cold for years. But foreign currency guarantee clauses, guaranteed floors and ceilings for business volumes, and other mechanisms are making the rate anticipation game more tolerable.

4) Economic Risk

Even the longest bull market in the world has to slow down at times. When Argentina adopted parity for the peso with the U.S. dollar years ago, the move was heralded as a milestone of economic progress. But today, the country is on the fiscal ropes, Argentina has defaulted on its debts, its currency has been de-coupled from the U.S. dollar, and is sapping the economic strength of the entire Common Market of the South, or Mercosur trade bloc, including neighboring Brazil, Chile, Paraguay, and Uruguay.

Still, outside of the United States, the regions that have grown the fastest over the past few decades tend to continue to grow the fastest. "We have three main regional targets overseas-Europe, Latin America, and Asia-Pacific-where we see liberalizing gas and power markets, and where we think the market economies and political conditions are conducive to the kinds of businesses we want to build," says Morrisseau.

Apart from economic threats to the ability to operate an asset in a given country, the physical operation of the unit can sometimes be a challenge. Securing expensive imported spare parts can at times require a special understanding with local customs officials. And gas supplies suddenly can be diverted to domestically owned customers rather than a utility, for example.

5) Credit Risk

Customer and supplier risk can be crucial, even when a seemingly secure fuel or power purchase agreement is in hand, stamped and approved. When a supplier or customer-particularly a government-is unable to supply or to pay, the legal recourse may provide little comfort to a utility with tough lender covenants. "If I lock in a price on natural gas, but it goes up, whether I benefit or not depends on the credit quality of the supplier. Enron had a lot of these contracts, but now if they go into Chapter 11, the value of those contracts is brought into question," says Stibolt.

Similar to credit risk, collections risk is an issue for companies involved in distribution, particularly in countries where theft of service is a standard deviation, one executive says. In the slums of Rio de Janeiro, for example, gangs that control some of the poorest neighborhoods have in the recent past threatened the lives of linesmen who make calls to correct illegal connections.

6) Interest Rate Risk

When a utility seeks to develop a project, it normally borrows a hefty portion of the price from private lenders, banks, insurers or other financial service entities. Depending on the perceived risk of the developing company, the cost of borrowing may go up or down hundreds of basis points-or thousandths of one percent, regardless of country risk. "If you look at what are classified as utilities, an average rating might be A3, but if you look at developers, it might be Baa3," estimates Abbott. "They want to leverage as much money as possible to do as many projects as they can," she explains. Thus while a company might be able to use balance sheet financing for a project, liquidity positions may necessitate increased borrowing. Apart from cash needed to move a project through construction completion, ongoing operating expenses may also necessitate interest rate hedges. "We hedge against interest rates over a longer term, so we're not taking advantage of some of the lower rates now; but 15 years rates haven't come down that much," one utility executive says.

7) Commodity Pricing Risk

Energy trading companies are as important to a utility as their generation facilities. The pricing of fuel sources, electricity rates, and other factors affecting these prices, like weather, must be hedged carefully to avoid peak expenditures. "If it takes a typical 6.8 million BTUs to make a kilowatt-hour of power and the market ratio is 7 million, you're not making any margin; but if there's a ratio of 15, you're making lots of money," says Stibolt.

For regions dependent on hydroelectric generation-like the Northeastern or Northwestern United States, or Brazil-rainfall can mean anything from cheap power to 20 percent rationing. "Weather can influence demand, be it a function of heat, cold, or rainfall," says Woodcock. "We've done a lot of thinking about these factors since our revenues were affected this year," he notes.

8) Foreign Exchange Risk

Trillions of dollars in foreign exchange are traded around the world daily, and the volatility in the variations can impact both utility suppliers as well as its customers. Derivative hedges against fluctuations are a standard part of any foreign business, and these exposures frequently are reported on a real-time basis up to regional if not global centers, where the costs of protecting against relative geographic risks can be measured with the same financial stick. If protection against currency devaluation is acquired in the country where the risk arises, placing the risk there limits the exposure of a parent company elsewhere in the world.

9) Repatriation Risk

Hedging against a currency shift is one thing, but managing to repatriate the protected profits is another matter, points out Abbott. "You can push currency risk into a country by way of derivatives, but the answer to the question of whether that means the risk of repayment is adequately dealt with is no. A third party may guarantee a contract and (dollar-based) payments, but not necessarily the debt service to the (offshore) lenders," she says. In early December, for example, Argentina placed controls on bank withdrawals and foreign remittances in an effort to stop capital flight. Such moves keep profits captive in a country, forcing a company to reinvest or to convert profits from local currency to physical products that can be exported. Under a prior government in Brazil, when currency repatriation was heavily taxed, international companies routinely purchased gold or food products to ship value back to a parent company.

10) Containment of Risk

Some utilities operate each individual project like an island, with risk management handled locally, to shield the parent from any false moves—as well as shielding the subsidiary from a capsizing mother ship, as has been a danger with Enron. Other country risk managers compare similar country risks on at least a regional basis, to take advantage of higher volumes when it comes to costs and exposures. Some managers also will report risks to a global center, where a corporate-wide prioritization of the risks can be undertaken and protected. "In North America, we have played a role in the risk methodology used more widely," says Stibolt. The sophistication of risk models employed today are both a function of the evolution of the art of risk management and of the evolution of the software tools now available to develop models, he says.

Sharing Risks and Risk Management

The collection of investment risk takers in foreign projects can include a host of types of businesses and financial entities. Multilateral banks and commercial banks both make loans and take equity positions. Insurers, exporting suppliers, other public and private investors, and finally the developing utilities themselves take on a variety of risk elements. Breaking overall risk into bite-sized components and types is what may make a successful deal work; premiums are paid for those who take the greater risks, and limits to exposure can come from corporate bylaws, from outside risk analysts, or from the good business sense within the utility's development team.

Should utilities hire top consulting guides when venturing overseas? Should they form joint ventures with local partners or specialized financial entities? Or should they just build expertise in house? It all depends on the complexity and size of the project, says Kassin. "A lot of project developers have amassed in-house capabilities, while others have outsourced risk management expertise with a variety of bankers like Morgan Stanley or Goldman Sachs. There is a high cost of setting up a trading system, so out-sourcing or forming an alliance may work best."

(Charles W. Thurston writes on international finance, infrastructure and technology from Willow, New York.)

GLOBAL RISKS AND REWARDS

By Jeff Swystun

Interbrand's annual Best Global Brands study of brand value generates great interest and debate. A recurring question is whether being global affords a brand more benefits than a geographically-focused one. Many brand owners are interested in the attributes shared by successful global brands. Interbrand's work with leading global brands and the conclusions reached through our ranking indicate significant implications for brands that choose to operate globally.

The criteria for the study states that a global brand must achieve more than a third of its sales outside of its home country and have a visible external market presence. A global brand is one that is available in many nations and, though it may differ from country to country, the local versions have common values and a similar identity. The brand's positioning, advertising strategy, personality, look and feel are, in most respects, the same but allow for regional customization. What remains consistent market-to-market are the values communicated and delivered by the brand.

This paper explores the attraction and risks associated with going global.

Why Go Global?

Going global is highly attractive. It represents a perception of excellence but it comes with a challenging set of obligations that many do not anticipate or plan for. It is daunting to achieve a competitively relevant presence in all strategic global markets with an identical set of core values.

Companies must harness the coherence and scale of a global brand as well as the closeness of a local brand if they wish to succeed. Often referred to as the 70/30 principle, this rule of thumb states that 70% of the brand must remain absolutely consistent (with 30% reflecting flexibility market-to-market).

It has been stated that companies do not choose to go global but that the market forces them to do so. Interbrand has witnessed many brands that have attempted to be successful outside of their home borders and end up being neither truly global nor appropriately local. The decision to take a brand global (or to several markets from its market of origin) is driven by fundamental strategic opportunities.

Size and attractiveness of market

Commoditization in market of origin

Displace competitors

Achieve economies of scale

Protect current margins

Capture share of mind

Drive innovation

However, each of these opportunities has considerable brand implications that require attention prior to setting out to conquer the world. Interbrand has observed numerous situations where a company is enamored with geographic expansion. Their due diligence has appeared rigorous but, in reality, is constrained solely to financial analysis. Market, culture, buyer behavior, current brand loyalties and many other dimensions may be only considered tangentially, if at all.

The risks of taking a brand global must be carefully weighed or the damage to the brand can be irrevocable. These risks include, but are not limited to:

Erroneously assuming the brand communicates the same meaning market-to-market, resulting in message confusion

Over-standardizing or over-simplifying the brand and its management, resulting in a culture of discouraged innovation at the local level

Use of the wrong (or tried and true) communications channels, resulting in inappropriate spending and ineffective impact

Underestimating the investment in spending and time for a market to become aware of the brand, try it, and adopt it

Not investing in internal brand alignment to ensure that regional employees understand the brand values and benefits and are able and willing to communicate and deliver consistently

Failing to modulate performance metrics based on local variables

Assuming the business strategy calls for going global and the analysis provides support for the strategy, the company must ask whether it has the culture, organization and processes that lend themselves to developing a truly global brand.

What Principles Govern and Guide Global Brands?

Self-examination at the company level is required to ensure the critical success factors are in place that will take the brand to other markets. Interbrand has identified a consistent set of principles shared by successful global brands.

Recognition

Well-performing brands enjoy strong awareness among consumers and opinion leaders. These brands lead their industry or industries. Think BMW. Car aficionados, reviewers and loyal customers laud it with equal enthusiasm. It has come to symbolize performance in engineering and design while signifying that the owner has “arrived” on a personal and professional level. This type of recognition represents the nexus of perception and reality, enabling brands to rapidly establish credibility in new markets.

Consistency

These brands achieve a high degree of consistency in visual, verbal, sonic and tactile identity across geographies. They deliver a consistent customer experience worldwide, often supported by an integrated global marketing effort. McDonald’s is a tremendous example of a brand that has returned to its roots by shedding distracting acquisitions, simplifying their core offer, and adhering to a shared message globally. At the same time, McDonald’s appropriately modifies its approaches for greater regional relevance. Restaurants in France are more “café-like” in appearance and the menu is tailored to the local culture. Espresso is in quick supply and the chairs are neither molded plastic nor bolted to the floor.

Emotion

A brand is not a brand unless it competes along emotional dimensions. It must symbolize a promise that people believe can be delivered and one they desire to be part of. Through emotion, brands can achieve the loyalty of consumers by tapping into human values and aspirations that cut across cultural differences. Nike has appealed to the athlete in all, regardless of true physical ability, allowing for a focused, yet mass-market offer. This has elevated the discussion beyond tangible aspects of the shoe or apparel to what the customer feels when wearing and performing in Nike gear.

Uniqueness

Great brands represent great ideas. These brands express a unique position to all internal and external audiences. They effectively use all elements in the communications mix to position within and across international markets. Apple has creatively addressed its marketing mix while consistently ensuring that its people embody its most ownable and beneficial brand attribute – innovation. The company has once again come to represent leading edge technology solutions that become a part of day-to-day life. Apple is embedded tangibly and emotionally in their customers' habits and practices.

Adaptability

Global brands must respect local needs, wants and tastes. These brands adapt to the local marketplace while fulfilling a global mission. HSBC has invested in that very message by conveying its excellence in financial services with its deep knowledge of local custom and practice. In essence, it is communicating a “global” advantage.

Management

The organization's senior leadership must champion the brand, ideally with the CEO leading the initiative. A leader's continual articulation of the brand philosophy and the brand's view of the world is meant to give the business strategy a recognizable face. The commitment is crucial, allowing for a unique positioning that transcends local idiosyncrasies and appeals to a universal aspect of human nature and experience. This is a major step in ensuring that the corporate culture will put the brand at the heart of everything it does. The preceding list is by no means complete. There are many other factors that must be considered, including superior products, processes and people, a strong track record of being customer-centric in the country of origin, uncompromised ethical practices, and continual focus on creativity and innovation.

Is there such a thing as “Global”?

Successful global brands take the globally appealing brand message, such as “premium” and “elite” for Chanel, and apply it in local circumstances. This is achieved by translating the message in a locally relevant way. If the brand has more than one distinguishing feature, the message can be tailored to the local audience. For example, Mercedes plays up their prestigious brand positioning in the Chinese market while they concentrate on their reputation for quality in Germany.

This “global” quality can only be achieved by giving local managers the power to interpret and express the message. It is important to note that global brands do not have to be nationless, as long as the core characteristic has international appeal. In fact country of origin can easily form a core brand identity that is easily recognizable around the world. Harley-Davidson

is associated with America but the idea of “Freedom” resonates globally. The goal is to communicate in many languages but with one voice.

How are Global Brands Managed?

Successful global brands operate from clear principles already discussed. Yet these principles require active management. Interbrand has identified several management traits that are employed by leading global brands.

Seek Out Insights

Outstanding brands identify customer insights. When these insights appeal across cultures they assist in a brand’s adoption globally. The Economist brand appeals to its audience because ‘they know when they are in the know.’ This “club type” association appeals in most cultures and can help to explain the success of the magazine. Once this insight is in place, the brand must ensure that customer perceptions of it are consistent throughout the world. Hyundai sells two-thirds of its cars outside of Korea, has a multinational product portfolio, a worldwide slogan and fairly consistent advertising. Despite all this, it is not a truly “global” brand because the Hyundai name carries very different associations in each market. On the other hand, over 60% of Mercedes Benz’s sales are in Europe, yet the brand’s associations with prestige and quality are global.

Integrate Local Intelligence

Brand guidelines are tremendous tools for ensuring consistency. However, they have been known to impede innovation and diminish relevance. Brands are dynamic – never static – so managing them must integrate new thought. In the case of global brands, to assume that one message can appeal uniformly to all audiences with equal relevance is unrealistic. Well managed global brands cull local markets for intelligence related to the “next big thing” to ensure relevance locally and to counter competitor’s moves.

The Team

Global brands demand a global brand management team. This regional and international organization is in place to maintain brand leadership. Companies with large brand portfolios tend to have separate managers for each brand. Regardless, global brand managers must have the authority and resources necessary to implement key decisions based on performance measurement. The brand management team reports to a senior executive officer of the company and ideally, the CEO has direct involvement in brand decisions. Global brand management teams implement processes to create, review and improve brand performance. This frequently takes the form of a wider brand management council that can include representatives of business units and agency partners.

Investment

Intangible assets, including brand, now comprise the majority of the value of a company. These assets require capital investment like any other. Progressive companies and enlightened management recognize the need for appropriate communications spending. However, CEO and CFOs are not signing any blank checks – they are demanding objective and quantifiable measurement of return to substantiate any investment.

Measurement Systems

In order to sustain a global brand’s long-term position, there must be consistent and widespread brand equity measurement. This will not only help brand development by highlighting and demonstrating best practice but it will also provide the brand management team

with a means of monitoring global consistency. This equity measurement should include top-of-mind awareness, overall opinion (preference, satisfaction, loyalty, recommendation), brand image attributes, perceptions of product/service performance, and brand valuation to determine the financial contribution of brand to the balance sheet.

Conclusions

Ambiguity is an undeniable aspect of global branding. Consistency is constantly preached, yet it is critical to allow for flexibility in the face of different customs, languages and purchase behavior. What is clear is the need to follow core principles and management practices when choosing to take a brand global. However, this is not a prescription for success. As every company and brand is different, these principles and practices will be applied uniquely. What separates the winners from the losers is a resolute commitment to rigorous strategic, creative and innovative execution.

Global branding is tempting and offers numerous rewards but the risks exist in equal number. Assuming the business strategy calls for going global and the analysis provides support for the strategy; the company must perform a self-examination to determine whether it has attained the culture, organization and processes that lend themselves to developing a truly global brand.

Text 3

GLOBALISATION RISKS AND COSTS

By Rick Wolff

Critics have exposed how globalization's benefits have been unequally distributed around the world. Many of the world's poorer regions have become poorer still in relation to the regions that gained. And within regions, it turns out that globalization often worsens wealth and income inequalities. However, critics admit and defenders boast that at least for some - for example, the US -- globalization has meant higher wealth, income, or consumption levels. But a closer look raises questions about these beneficiaries of globalization.

The fact is that those who have gained wealth, income, or consumption include many - and likely most -- who paid and continue to pay for those gains by absorbing much greater levels of risk. A riskier economy today affects capital and labor now and for years to come. Individuals and businesses behave differently when confronted with more rather than less risk. Greater risks shape the world economy as much, albeit in different ways, as do rising world trade, expanding global capital movements, and spreading multinational corporations. To explore this point, let's briefly consider rising economic risk in the US, a nation widely thought to have benefited from a globalization that its corporations and its government have done much to shape.

Among individuals, the catalog of rising risks is extraordinary. The data on employers shifting ever more from permanent to temporary workers, coupled with the long-term decline of union membership (and hence of workers covered by multi-year contracts), document changes that increase job insecurity. The outsourcing debates reflected and amplified rising anxieties about job security. Consider the testimony of Princeton economics professor Alan Blinder before a US Senate committee on September 23, 2005: "the share of American jobs that is vulnerable to offshoring is certain to rise . . . tens of millions of additional American workers will start to experience an element of job insecurity..."(the italics are Blinder's).¹

The dramatic and continuing reduction of private pensions raises the risks of aging for private-sector workers. The rising assaults on Social Security, albeit not yet successful, indicate more danger that its support may be reduced. The number of Americans without health insurance keeps rising. The rising level of personal indebtedness, along with the growing proportion of disposable income required to service personal debts, adds significantly to the uncertainties impinging on current US households. The rapidly growing proportion of homes financed with adjustable-rate, interest-only, and reverse mortgages places household living standards under the constant threat of interest rate increases.

Jacob S. Hacker's recent book, *The Great Risk Shift*, is but the latest in a growing mountain of books and articles that document how the individual lives of Americans have become more economically precarious. Most of these works also show how efforts to cope with rising economic risks have damaged their physical and mental health, personal relationships, and thus the quality of life generally. Unfortunately, relatively few publications link the broad scope of rising economic risks to globalization (Hacker's book is especially poor on just that connection). At best they recognize only very limited connections such as outsourcing (as in Blinder's testimony).

On the side of capital, riskiness has also grown. Corporations everywhere confront possibilities of technical improvements by actual or potential competitors anywhere in the world, new or changed laws in foreign countries, new or changed administrative policies there, altered labor market conditions, court decisions in overseas jurisdictions, and so on. Such alterations in the global economy threaten to compromise a US corporation's market here, its raw material source there, patent protection, foreign direct investment profitability, and so on.

It takes no special economic expertise to understand that all corporate investment decisions must take these risks into account - or try to - since the success of all investments has become riskier in a globalized environment. Most US corporations cannot effectively monitor all these risks nor rely on the mushrooming consultant enterprises who offer to provide such monitoring for fat fees (themselves costs flowing from the risks). So US corporations have taken other and much costlier steps to cope with those risks.

One index is the amount of money US corporations feel the need to hold on to (rather than invest in growing their enterprise, hiring more employees, etc.). The numbers here are rather stark. Back in 1980, for most US corporations, the ratio of cash holdings as a portion of their total assets was just over 10%. By 1995, this ratio had risen to 17%, and by 2004 it had risen further to 24%. The data are nicely presented in a revealingly titled September 2006 working paper at the National Bureau of Economic Research: "Why Do US Firms Hold So Much More Cash Than They Used To?"² The authors conclude that rising economic risks explain the increasing corporate cash hoarding. While they do not explore such hoarding's economic costs, a brief list of such costs would include less employment, lower economic growth, and reduced tax receipts in the US. The secondary and tertiary costs, economic and social, ramifying from rising corporate cash hoarding are too many, too diverse, and too long-lasting to enable any precise measurement.

The conclusion follows rather straightforwardly. To date, most discussions of the distribution of winners and losers from globalization have concentrated on whose wealth, income, or consumption rose and whose fell, relatively and absolutely. However, an overall assessment needs to consider how globalization has imposed rising economic risks and their consequent costs not only on its losers but also and especially on its winners. No one can seriously claim to know, let alone measure, all the gains and costs of globalization, direct and indirect, present and future. However, it is a safe bet that one key foundation for rising skepticism about and opposition to globalization is the growth of economic risks it has spawned even among its beneficiaries.

BUSINESS PEOPLE NEED TO THINK HARDER ABOUT POLITICAL RISK

A MONTH ago Ahmed Ezz was one of the most powerful businesspeople in Egypt. He controlled about 40% of the country's steel production, played a leading role in the ruling party and, most important of all, was a bosom buddy of Hosni Mubarak's son and heir apparent, Gamal.

Today he is a has-been. Protesters have demonized him and torched his company headquarters. The old guard has dumped him as a liability. He is under investigation, his assets have been frozen and his right to travel has been restricted. Western companies that cultivated Mr Ezz wasted their time and money.

It was once regarded as axiomatic that globalization would marginalize politics. Theodore Levitt, one of Harvard Business School's leading thinkers, argued that "the Earth is round but, for most purposes, it's sensible to treat it as flat". Kenichi Ohmae, a Japanese business guru, published "The Borderless World" and "The End of the Nation State". Giant companies such as IBM and Ford played down the importance of country managers in their efforts to create globally integrated behemoths.

The events in Egypt are a reminder of how foolish such "borderless" thinking can be. Dick Cheney once remarked, "The Good Lord didn't see fit to put oil and gas only where there are democratically elected regimes friendly to the United States." It might be added that the Good Lord did not see fit to put economic growth in equally desirable places. The corporate world is rightly excited by the pell-mell growth in emerging markets, but these are rife with political risks—weak legal systems, makeshift institutions, volatile cities and fragile regimes.

A growing number of countries, most notably China but also Russia and the Gulf states, are using business as an instrument of state power. And some of the world's biggest companies, including most of the largest oil firms, are state-run, driven by political as much as economic considerations.

China is the leading offender, using state companies to snap up a growing share of the world's natural resources. It is also using its state-industrial complex to pursue political goals. Google was forced to re-route its servers when it refused to censor e-mails. Four Rio Tinto executives were imprisoned in dubious circumstances. China is not alone: BP's new partnership with Rosneft, Russia's state-controlled oil giant, to develop Russia's Arctic region is complicated by murky political considerations.

Political risks can also bite Western companies at home, where governments are increasingly vigilant about corruption. The Obama administration is enforcing the Foreign Corrupt Practices Act with an evangelical zeal—and employing techniques once reserved for fighting organized crime. The British government is introducing tough anti-bribery measures. Executives who adopt what they regard as "local" rules in Thailand or Indonesia can find themselves facing prison sentences back home.

How do companies cope? There are no simple rules. Countries that are cavalierly lumped together as emerging markets have very different political regimes. In Brazil you need to understand Congress's multi-party alliances; in China the power dynamics of the Communist Party; in Saudi Arabia the internal relations of the ruling family. Local politics add yet more complexity.

The most important advice is to take politics seriously. Oil and mining companies have always done this. Royal Dutch Shell has run a profitable business in Nigeria for more than 50 years despite a dangerous and volatile environment. “New economy” companies have tended to be much more naive. The Egyptian crisis demonstrates that they cannot avoid being caught up in political battles which are now fought over the internet. A Google executive in the region, Wael Ghonim, also doubled as a leading political activist.

A bit of help

Companies can buy advice from political-risk consultancies such as Control Risks, a British outfit, or Eurasia Group, an American one, or various niche consultancies set up by political bigwigs, from Henry Kissinger on down, and ex-ambassadors. (Full disclosure: the Economist Intelligence Unit, a sister organization of The Economist, also offers advice on political risk.) Ian Bremmer, the president of Eurasia Group and a rising guru in the area, has written some provocative books on the subject.

But companies need to go further than just buying advice. They need to put more emphasis on local knowledge: many globalization-obsessed companies may come to regret the fashion for downgrading country managers. They also need to be less impressed by the appearance of stability. The rapid collapse of Egypt’s autocracy should be food for thought for companies that have bet big on China (with its appearance of order) rather than India (with its messy democracy).

Some techniques have proved particularly successful. One is diversifying operations. Chrysler escaped a wave of nationalization in Peru because its local factory manufactured only half the components needed to assemble a car. Another is putting down deep local roots. Over the years Shell has trained and employed many of the people who regulate Nigeria’s oil industry. A third is sharing risks. A growing number of companies form complex alliances with other firms, NGOs and government bodies.

Yet all these techniques come with a sting in the tail. Creating global operations may spread risks rather than isolating them when a vital factory is closed. Cuddling up to the local regime may turn you into an object of hatred, as Shell has discovered in Nigeria. Weaving alliances with local people you cannot fully control may expose you to charges of corruption. It turns out that political economy is a much more complicated subject than its trendy modern offspring, economics.

(Economist.com/blogs/Schumpeter Beyond economics Feb 10th 2011 | from the print edition)

UNIT 7



E-COMMERCE



LOOK FORWARD IN ANGER

Personal animosity is a mighty force in competition, for good as well as ill

PRE-READING TASK

I. What can be a driving force of competition in e-commerce market?

II. What giants are competing in this market? Can you name market leaders and market followers?

§ 1. The third world war, it seems, has broken out in an unexpected place: Silicon Valley. Apple and Google were once so close that Eric Schmidt, Google's boss joked that they should merge and change their name to AppleGoo. Now however, the two companies are at loggerheads over everything from apps to acquisitions – and Mr. Schmidt and Apple's boss, Steve Jobs, are taking the fight personally. So personally, in fact, that tech types are lost for superlatives. One of the Times' insiders not only likens the squabble to "world war three" but also dubs it "the biggest ego battle in history". So much for Julius Caesar and Mark Anthony.

§ 2. The business world has always been a cauldron of personal animosity, and those animosities have been particularly intense in Silicon Valley. Few do grudges quite as well as geeks. Steve Jobs is legendary for his grudge matches. He has been feuding with Bill Gates for decades. He has described Microsoft's products as "third rate" and complained that the company has "absolutely no taste". Apple's annoying "I am Mac" ads are strikingly personal: they pitch a frumpy Bill Gates lookalike against a too-cool-for school Jobs doppelganger (with added hair).

Mr. Jobs has shared his spleen around over for years. He has accused Michael Dell of making "un-innovative beige boxes", for example. And Messrs Gates and Dell have given as good as they have got. Mr. Gates once described Apple's software as nothing more than

“warmed over Unix”. When he was asked what he would do with then-troubled Apple back in 1997, Mr. Dell replied that he would shut it down and give the proceeds back to the shareholders.

§ 3. Silicon Valley is an incubator of animosity for the same reason it is a wellspring of innovation: it is a small world populated by people who want to prove how clever they are. The boundaries between markets are vague and transitory. Companies flit between friendship and enmity. The pace of innovation is so fast that it is difficult to determine who first came up with an idea. (Steve Jobs once responded to the accusation that he had “borrowed” somebody else’s idea with a quote from Pablo Picasso: “Good artists copy, great artists steal.”) People in the technology industry talk about spreading FUD: Fear, Uncertainty and Doubt. Andy Grove, the former boss of Intel, entitled his autobiography “Only the Paranoid Survive”.

§ 4. Even by the Valley’s elevated standards, Do-No-Evil Google is a *lebensraum*-seeking and paranoia-inducing company. Tech rivals such as Yahoo! and Microsoft have long seen Googlezilla as a calculating predator. The bosses of media and advertising companies worry that Google is destroying their business models, as more and more activity goes online. Rupert Murdoch has complained that it and other online news “aggregators” steal his newspaper stories. Apple is rightly worried that Google’s Android phone is aimed at its iPhone – and unleashed his arsenal of legal and commercial weapons to try to keep it at bay.

§ 5. It is always potentially dangerous when competition bleeds over into personal animosity: judgments can be clouded and strategy distorted. The danger is particularly pronounced with internal grudge-matches. Family companies are forever being destroyed by internal squabbles.

§ 6. But bilious outbursts and business success often go hand in hand. This is partly because people with outsize commercial nous also tend to have outsize personalities. The same passions that drive them to make something from nothing also drive them to crush anybody who gets in their way. Charles Revson, the architect of Revlon, boasted, “I built this business by being a bastard, I run it by being a bastard, I’ll always be a bastard.”

§ 7. But it is also because personal animosity can be the grit in the oyster of competition. Sometimes it can actually create business opportunities: Mr. Murdoch’s personal dislike of liberals has helped him to create right-of-centre media empire that now includes both Fox News and Wall Street Journal. Even when vituperation doesn’t drive competition – as in the case of Google-Apple dust up – it can certainly sharpen it. Mr. Jobs’s habit of personalizing his commercial rivalry with Microsoft and Dell has honed Apple’s self-image as the coolest company on the block. Mr. Ellison’s competitive spirit has helped his company to thrive for decades. The Ellisons and Jobses of this world may drive their fellow executives to carpet chewing fury. But the world is better for them.

(The Economist 2010)

COMPREHENSION

I. Find in the article definitions for the words and expressions below or explain them in your own words.

- ◇ cauldron of personal animosity
- ◇ be at loggerheads

- ◇ doppelganger
- ◇ “warmed over Unix”
- ◇ *lebensraum*-seeking
- ◇ calculating predator
- ◇ unleashed arsenal of legal and commercial weapons
- ◇ keep it at bay
- ◇ grit in the oyster of competition

II. Which paragraph contains information on?

- A. animosity being fuel of innovation
- B. Googlezilla as a paranoia-inducing company
- C. personal rivalry and exchange of pot shots
- D. dangers of personal animosity
- E. Silicon Valley as the biggest ego battlefield in history
- F. outsize commercial nous ready to spit and polish

III. Match the companies mentioned in the article to the names of their business leaders.

1. Steve Jobs	a. Wall Street Journal
2. Eric Schmidt	b. Google
3. Bill Gates	c. Oracle
4. Rupert Murdoch	d. Revlon
5. Mr. Ellison	e. Microsoft
6. Charles Revson	f. Apple

IV. Answer the questions about the article.

1. Why does Silicon Valley seem to be an unexpected place for “the biggest ego battle in history”?
2. What does Steve Jobs accuse his rivals of? How does the criticism effect Apple’s self-image?
3. Why do only the paranoid stand a good chance to survive in the tough competitive environment according to Andy Grove (the former boss of Intel)?
4. How does Google threaten advertising companies?
5. Why did Apple unleash his arsenal of legal and commercial weapons against Googlezilla?
6. What are the potential dangers of personal animosity?
7. On the other hand why the author compares personal animosity to the grit in the oyster of competition?

FOLLOW-UP ACTIVITY

Work out your own ingredients for success in online business in Belarus.

ADDITIONAL TEXTS FOR READING

Text 1

E-BUSINESS: THE NEW MANAGEMENT CHALLENGE

The Internet continues to erode the brick and mortar marketplace.



Traditional business thinking can be an obstacle to success in cyberspace.

“The Internet is turning business upside down and inside out. It is fundamentally changing the way companies operate, whether in high-tech or metal bashing. This goes far beyond buying and selling over the Internet, or e-commerce, and deep into the processes and culture of an enterprise.” The Economist, June, 1999.

While it is easy to overstate the effect of the online economy, evidence continues to build that the Economist’s view of the impact of the Internet is coming true. E-commerce purchases may gain as much as 5% of retail sales in 2000. The NYSE stock exchange is under pressure to adopt a 24-hour trading network. Ford recently announced its intention to manage its entire supply chain on the Web. Even education is not immune. Distance learning continues to attract thousands of students and, some of the best-known business schools are teaming up with for-profit technology companies to deliver entire degrees through “virtual” classes that incorporate the latest in web design, graphics, interactivity, and access to huge databases of information. This article will examine the roots of this e-business movement and the key challenges it creates for managers who must move rapidly to adapt to the new competitive forces of the network era.

Background

E-business is an evolutionary step in the convergence of the business process redesign movement of the late 20th century and the continuing innovation and investment in communication and information systems. Driven by an increasingly competitive global environment, good management teams have begun to recognize the opportunities in thinking beyond the boundaries of their own internal processes to envision how a “virtual value chain” could improve their sales and lower costs. This concept, described in a seminal article in 1995 by Rayport and Sviokla, sees this value creation resulting from integrating information technology with traditional processes. Fed-Ex was an early mover in implementing this concept when it initiated the service that allowed customers to track their packages on the Web. Frito-Lay’s linkage of retail data directly to their manufacturing plants was another early example of the power of this concept. By linking retail data directly to the manufacturing site, they were able to manufacture the amount required for restocking as needed, lowering inventory costs and eliminating the risk of stale products on the retailers’ shelves.

The subsequent skyrocketing growth of Internet users from a few thousand in late 1995 to over one hundred million today has added a new element and propelled a dramatic shift in marketing strategy. The Web now provides a new channel of distribution that allows producers who formerly had to go through retailers to reach the end user directly. This marketing shift also

led to the creation of totally new kinds of retailers such as Amazon that avoided traditional barriers to entry by building cyberstores.

These new online stores have, in turn, increased demand and the number of users, putting pressure on traditional retailers to create an e-commerce presence as well. Suppliers have had to adapt their delivery systems to this new model as well.

Not only cyberstores, but manufacturers and more traditional bricks-and-mortar retailers are sharing information with producers in order to streamline the supply relationship – leading to the current growth of the “business-to-business” movement in which the Web becomes the platform for all transactions.

Management Issues

Effective e-business design and implementation requires that management focus on four major issues:

- Developing a corporate climate for adapting to the network era.
- Understanding customer expectations.
- Analyzing the firm’s ability to manage information technology.
- Recognizing the time frame in which these changes must be made.
- Adapting to the Network Era.

This initiative is the most challenging. It requires implementing an organizational structure which can respond to a virtual community of buyers and suppliers “anytime, anywhere;” a willingness to implement new policies to resolve channel conflict between current resellers and direct Web customers; intensive research into new product opportunities for niche markets enabled by the growth of on-line special interest communities; and a reallocation of financial resources to meet these new objectives.

For those seeking to sell directly online, there are also new pragmatic issues to address. Marketing is still critical, but the challenges are different. Providing security for the customer is crucial, but so is the ability of the business to determine if the sale is legitimate. Fraud is higher in cyberspace than in traditional retail and harder to detect. New businesses are springing up to address these problems, but that means being able to understand their proposed solutions and evaluate them without their having a long track record. While there is currently a moratorium on sales taxes for Web retail, it is by no means certain that will be extended after this year. (For a discussion of this policy issue, read the analysis by students of Pepperdine University’s School of Public Policy in the Spring and Summer 1999 issues of GBR.)

Critical to the success of converting organizational structure to this new challenge is the ability of top management to champion the change. To put this into perspective, many of today’s top managers were halfway up the corporate ladder when the personal computer was invented, circa 1982. Obviously, the creation and growth of the World Wide Web came long after their formative development years. If they try applying traditional management techniques to the new web strategic paradigm, then successful adaptation is unlikely.

Another way to approach management issues is to use the distinction MIT’s Nicholas Negroponte used when he categorized products as “bits” or “atoms.” Bit, or digital, products such as music, publications and even education face major changes in production and sales since they may be supplied directly on the Web, while atom products, such as cement mixers and basketballs, benefit largely from seamless supply chains minimizing inventory and reducing lead times for order fulfillment. In the “atoms’ world, the founder of Dell Computer attributes his firm’s remarkable success to using the Web to streamline the supply chain. By linking suppliers

and customers in one information system, Dell can fulfill orders immediately and reduce the costly overhead associated with many coordinating functions. The traditional intermediary, the computer reseller function, is no longer necessary. The Web marketing success did, however, necessitate modifications in Dell's production system to support the "real-time" delivery of product.

Bit products will also change business in many ways. As one example, the Net is giving rise to numerous "infomediaries" – some of whom play the role of "information broker" or "market maker" and others who perform information-handling tasks. For example, online auctions such as those offered by eBay bring efficiencies to the buyer and seller unavailable in the traditional newspaper classified ad model. eWallet acts as an information-handler by providing online purchasers a way to automatically provide their information to any vendor.

Management needs to understand how these new entries alter the business environment and whether they can be helpful or are primarily competitors. Ironically, almost all E-business success stories are characterized by new ventures whose founders recognized the vulnerability of going concerns that were not adapting to these opportunities.

While we may be in the midst of an enormous shift in commerce, the answer for going concerns may be to ask, "What business are we in?" and then to view answers through the lens of the Internet. Often, the very organizational structure that needs adapting is the thing that gets in the way of those trying to make it happen, whereas new ventures do not have such limitations.

Customer Expectations

The Web is creating a tougher customer. E-commerce continues to expand consumer choice by providing the tools for them to switch suppliers instantaneously, including the ability to quickly and easily make price comparisons. In many cases, suppliers are dealing with end users for the first time, having previously been shielded by their resellers. Management strategies must consider this ultimate customer for whom access to the Internet presents substitute sources for the form of their traditional offerings as well as opportunities for information.

There are potential benefits as well as concerns. For example, textbook publishers may finally know who reads their books but, more importantly, will be able to deliver selected content online. On the other hand, their authors may find it possible to bypass the publisher by establishing personal Web sites and selling collateral material or future publications directly to their readers.

Customers may not even realize the breadth of the virtual supply chain in which they are participating. The interface through which the customer now deals is on the Web, and he or she may choose among various sites for the same or comparable product. On the other hand, it is likely that much of the supply chain supporting that purchase is one and the same. That is, there may only be a few major players performing the other functions in the chain, and the web "retailer" is the only unique participant.

The concept of "order qualifier" also takes on new meaning when the only interaction with the customer is via the web interface. While price comparisons are obviously easier, other qualifiers such as quality, service, or market appeal become uniquely delivered. How a traditional organization adapts to deal with this new model significantly affects the likelihood of success.

Assessing IT Skills

Web technology is characterized by rapid breakthroughs in software and hardware. This factor has given rise to a new group of firms called application solution providers (ASPs) who

offer an opportunity for firms to outsource their IT management. The network becomes the computer. These services are provided for a subscription fee assuring that latest versions of hardware and software are available to the ASP's client. More importantly, back-up communications and servers provide "always on" operation. The client also avoids the costly process of hiring and retaining scarce talent.

Other benefits include the option of developing a number of applications concurrently instead of being limited to in-house resources. In-house resources tend to be micro-focused and work sequentially through projects. In addition, development is limited to the capability of the in-house resource. The availability of specifically skilled ASPs is a critical advantage in meeting the time constraints and the variety of needs of the Web economy. However, management must make the ASP an integral part of its planning and operation to gain the full benefits of the relationship. For traditional organizations, allowing ASPs access to the "inner circle" of data and information can be a daunting prospect, yet it is a necessary one if a firm is going to achieve success in this venue.

Time

One overriding attribute of the past five years' experience with Internet initiatives has been the urgency to develop and implement competitive Web strategies. One of the most visible and oft-cited examples is that of Dell overtaking Compaq's leadership in the PC market. While Compaq had built a successful franchise through dealer channels, Dell recognized the customers' willingness to buy directly from the manufacturer and to do so online. This strategy allowed them to build on-demand, minimizing inventories and configuring machines for individual needs. Similarly, Barnes and Noble took a "wait and see attitude" toward Amazon and now finds itself having great difficulty in increasing its market share of Web sales.

The strategic time compression created by the Internet may be the single largest contributor to the number of small, upstart competitors on the Web. There are two main reasons that this gives them an advantage. First, the cost barrier to entry in the web market is virtually zero and, second, small new companies do not have a formal infrastructure through which strategic ideas get squandered. By the time a large firm has approved a capital budget to implement a strategic web idea, some small group of idea people backed by a venture capitalist has already implemented it.

Summary

Business is still in the early stages of experiencing the full impact of the e-business phenomenon. The Internet not only provides a valuable e-commerce retail venue, it provides a dynamic and economical platform to virtually integrate a firm's value chain. The management task is to leverage these opportunities quickly to sustain or enhance competitive advantage.

About the Author(s)

Charles A. Morrissey, PhD, has transitioned from a successful career in new venture formation to the field of management education. He brings this extensive experience to his classes by blending the theoretical with the practical.

(By Charles A. Morrissey, PhD2000 Volume 3 Issue 1)

THE 5 CHALLENGES OF E-COMMERCE FOR SMALL BUSINESSES

**Roni Alhadeff, Founder of Comersus Shopping Cart <http://www.comersus.com>
Author of *Succeeding in E-Commerce***

As the founder and CEO of a provider of shopping carts for small businesses, I am in a privileged position to witness and analyze cases of success and failure in the implementation of e-commerce sites on a regular basis.

Based on my experience, I have been able to identify five challenges applicable to most cases. Store owners can usually arrive at the same conclusions through trial and error, but in e-commerce the long way is always the expensive way. The best option is then to learn from the success of other on-line stores.

1. Your potential customers DO NOT trust your site

The Internet allows mom-and-pop websites to look just as good -maybe even better- than the websites of large corporations. All potential customers are well aware of this and they will be unimpressed by a sophisticated layout and a professional logo. Potential customers DO NOT trust the site they have just arrived at, and it must be your conscious decision to do what it takes to make them change their minds. Start by displaying a physical address, a telephone number, and a list of people behind the site. Consider joining forces with other websites that will create legitimacy for your own. If you can get your suppliers and distributors to mention you on their websites, this will surely make your business appear more trustworthy. Join a best practices organization such as the Better Business Bureau, or a privacy certification program such as Truste. Encourage and provide the means for your customers to review your products or services under their name and company. Publish success stories, always making sure the author is clearly identified. And most importantly: answer all pre-sales questions fully and in a timely manner. Many potential customers will contact you with very basic questions, or for information already provided in your FAQ section, just to test your company's responsiveness. Allocate the necessary resources to assure quick, personalized and courteous responses to all pre-sales inquiries.

2. Your products or services WILL NOT sell themselves

An alarming number of e-commerce store owners believe in the following equation blindly: Traffic + Good Prices = Sales.

Unfortunately, the reality is much more complex than that. Your products or services WILL NOT sell themselves. Even if you have a significant number of visitors and the lowest price, potential customers may choose to purchase elsewhere on the web. Why is that? Maybe other sites have invested more resources to showcase the same product. Make sure your shopping cart allows you to present products and services like you want them to be seen. If you need five images per item, a long description including HTML formatting, multiple categories, external links and reviews, adapt the application to suit your needs rather than adapting your business to the limitations of the shopping cart. Also, add your own unique text to the standard product descriptions provided by the manufacturer or supplier. If you feel you don't have the skills to create attractive descriptions for your products, hire a writer you can afford at Guru. Make an effort to get the lowest possible shipping rates or offer free shipping, and publish rates along with shipping delays before the customer checks out. Displaying your products and services fully and thoroughly, investing time and efforts, will help the products on your website outshine the same products offered elsewhere on the web, boost your reliability, and rank your website in search engines.

3. The urge to purchase DOES NOT last long

Even if a potential customer finds your site, comes to trust your business, and feels compelled to purchase your products or hire your services, that urge DOES NOT last long. Therefore, your website must be designed to let it flow and enjoy it while it lasts. The information required at each step, and the number of steps proper, must be as little and as few as possible. If you sell downloadable software, prompting for a shipping address is definitely a waste of precious time. The shopping cart you have purchased may boast thousands of features, but one of the few features which will truly make a difference in terms of sales is a short and simple checkout. Even if you have already invested in a design or in a shopping cart program with an inconvenient checkout, weigh in the revenue you are missing out on due to a bad decision when you set up your business. Don't hesitate to switch providers. When you do, remember that the ideal checkout that will make the most of customers' urge to buy is one where the process is complete with three screens: product view, input of customer and payment information, and confirmation. The simpler - the better. If you have no choice but to present a more complex process, make sure it is not too removed from the ideal three-step model.

4. Customers DO NOT favor stores which are too standard

Many small stores don't have a budget to hire a consultant that will devise a custom strategy, so they settle for standard tools. Instead of hiring a web designer, they purchase a template. Instead of purchasing an exclusive template, they purchase a shared template that can be seen everywhere on the web. Instead of developing a custom e-commerce application, or customizing an existing one, they use a standard e-commerce service provided by the hosting company. A direct consequence is that potential customers perceive a lack of commitment by the company to adapt standard tools and create a unique purchasing experience. Therefore, the relationship of trust is not created and the urge to buy is hampered. This means it is crucial to adapt standard tools: the look of the shopping cart should match the overall look of the site, and the functionality must be in line with store requirements (going back to the example above, stores selling digital goods must not prompt for shipping information or quote shipping rates). If you lack the necessary resources, hire a programmer or designer at Rentacoder. There you can post your job and available budget, and receive bids by programmers willing to take up your project.

5. Your small e-commerce site WILL NOT go unnoticed by hackers

Even if you have overcome the difficulties of setting up your site and you are happy with your sales, there may still be trouble ahead: e-commerce sites are one of the favorite targets of hackers. If you think your site is not relevant enough to catch their attention, you are wrong, and this way of thinking will not help you prepare to face related risks. All e-commerce sites, even those which sell one product a week, are the target of multiple attacks. Some attacks are not successful at all, others have some level of success, and others are so successful that the consequences for the owner of the store can be devastating. The main purpose of hackers is to get customer information and credit card data, redirect payments, and obtain products free of charge or at a lower price. If a hacker steals your customer database and sells it to spammers, the reputation of your site will be ruined. Not to mention what will happen if the hacker commits fraud with the credit card data. Hackers who attack e-commerce sites randomly usually don't take the time to devise specific ways to intrude. They simply determine which shopping cart and payment method are used, they try to access with default passwords, they look for databases in their standard locations, and they try to intrude the database by means of a common attack known as SQL Injection. If their attempts are not fruitful, they just move on to the next potential

victim. So, in terms of security it is not absolutely necessary to have a big budget and hire an expert, either. The key lies in your attitude: define complex passwords, customize your shopping cart installation (change the location of the control panel, change passwords, change the location of the database), and check that the versions of the software you use for your web server, FTP server, database and shopping cart don't have any known and patched vulnerabilities. Last but not least: keep informed; stay in touch with software vendors and visit websites where security issues are reported, such as NewOrder. This will minimize the chances that security in your site is compromised, and you will be able to focus on your real target: selling more and selling better.

That is all. I hope you find *The 5 Challenges of E-Commerce for Small Businesses* beneficial for your business.

Good luck and happy selling.

(Posted by Roni Alhadeff on: 2006-06-14 Self SEO > Ecommerce Articles)

Text 3

ALIBABA AND THE 2,236 THIEVES

An online scandal in China

China's top e-commerce firm fights to win back customers' trust

THE founders of eBay used to say that their real accomplishment was neither their clever technology nor the marketplace they created. Rather, it was to build trust between people who had never met.

Alibaba, China's leading e-commerce platform, faces the same challenge, but more so. It operates in a country where fraud is rife. And it has grown at a dizzying pace: 56m people use its business-to-business website, it claims, and 370m use Taobao, its online mall. This week it ran into trouble. On February 21st, in a filing with the Hong Kong Stock Exchange, Alibaba admitted that it had granted "gold" status (a mark of supposed integrity) to 2,236 dealers who it says subsequently defrauded buyers.

David Wei, the chief executive of Alibaba.com (the listed part of Alibaba Group, which is mostly private) and Elvis Lee, the chief operating officer, resigned to accept responsibility. Neither was personally implicated, but the company said an internal investigation had found that about 100 sales staff and "a number of supervisors and sales managers" were "directly responsible in either intentionally or negligently allowing the fraudsters to evade" various controls.

The frauds started coming to light in 2009. The company set up a compensation fund, which has so far paid out \$1.7m to 2,249 buyers. More claims are inevitable, and Alibaba has not yet offered an estimate as to how much it will have to pay out. Whatever the number, it will be dwarfed by the damage to Alibaba's reputation as a place to find reliable Chinese suppliers and buyers.

The scandal has generated conflicting responses. One view, which the company favors, is that Alibaba's reaction demonstrates its underlying integrity. It investigated the reports of fraud thoroughly and was forthcoming in publishing details, in sharp contrast to some other scandal-tainted Chinese firms.

Sceptics retort that Alibaba had little choice. The scams struck at the heart of its brand. Traders on its website who pay a fee and submit to third-party checking can be labeled "gold" suppliers. This tells buyers that they are trustworthy. Had Alibaba done nothing, this verification

system would quickly have become worthless. As it was, the firm's shares dropped nearly 15% after the announcement.

Alibaba's internal investigation attributed the fraud to "the pursuit of short-term financial gain at all cost" by salespeople and others. No doubt, but it emerged at a time when Alibaba's broader business prospects have seemed to be dimming. The firm has been wooing new customers at a terrific pace, but even before the scandal broke its shares had fallen by more than half from the bubbly days of 2007.

Unlike Western e-commerce platforms, Alibaba charges no commission on sales, making its money from extras such as fees for gold status. A new rival, DHgate, charges 3% of the value of each transaction. If it is viable, it may be because a market is developing between global suppliers and buyers that is more conventional in some ways – the two sides know one another – but modern in others, in that payments that once had to go through a bank can now be made online. In a market as rapidly evolving as Chinese e-commerce, no company has a secure franchise.

The high-profile chairman of Alibaba Group, Jack Ma, issued a letter saying that the firm would prosper only by "holding on to our ideals and our principles". Despite his vocal determination to put his house in order, customers may not be entirely reassured.

(Feb 24th 2011 | HONG KONG | From The Economist print edition)

Text 4

SELLING LUXURY GOODS ONLINE

The chic learn to click

Luxury firms are digital laggards, but some are catching up



WHEN Oscar de la Renta, an American fashion house, launched a transactional website some years ago, it expected people to buy mostly smaller items such as belts and perfume. The

firm was stunned when it received an online order last spring for an \$80,000 sable coat from a new customer in New Hampshire. He couldn't get to New York, apparently. Online customers have been snapping up the firm's core product: \$4,000 cocktail dresses. "We could not have been more wrong in our expectations of the internet," says Alex Bolen, the firm's chief executive. Online purchases are still a small proportion of total sales, but growing rapidly.

Most luxury-goods firms are less open-minded. Many scorn the internet as a plaything for plebs. A product sold online, wrote Jean-Noël Kapferer, a French branding guru, in "The Luxury Strategy", published last year, ceases to be a luxury item. In early 2008, of 178 luxury firms around the world surveyed by Forrester Research, only a third sold their products on the internet. That figure has risen, but still about half of firms don't sell online at all, estimates Federico Marchetti, the founder of Yoox Group, owner of Yoox.com, a luxury-goods website.

Prada, an Italian design house, had no website until 2007. It did not start selling products online until last year. Several American companies, such as Tiffany & Co, have thriving web businesses, but European firms, especially the old French houses, such as Chanel and Hermès, are still afraid of mice.

Luxury executives explain that the internet is too impersonal for their products, which need the human touch. Allowing anyone to buy online can mean a loss of cachet. Luxury firms like to dazzle customers with plush stores and sleek ads, so that they think only about beauty and not at all about price. The web, by contrast, shines a clear light on price. "That's the last thing I want people to think about," wails an executive from the watch industry.

It is largely the industry's own fault that the internet is associated with lower prices for its products. For years, firms discreetly disposed of end-of-season stock at deep discounts via websites such as Yoox.com. Some fashion houses make clothing exclusively for Yoox.com as a way to use up left-over fabric. Also, by shunning the internet in its early days, legitimate firms helped to create a vacuum that counterfeiters were happy to fill, says Uché Okonkwo, the author of "Luxury Online".

There is every sign, however, that buyers of full-price luxury goods crave the convenience of online shopping, so companies are being forced to adapt. In April Richemont, a Swiss luxury-goods giant, bought Net-a-Porter, a specialist fashion online retailer founded in 2000, in a deal valuing it at £350m (\$535m).

Net-a-Porter's appeal is not price, says Danny Rimer of Index Ventures, a venture-capital fund which backed the firm, but the convenience of getting items delivered to your door before they sell out. Executives are now watching to see whether Richemont will allow Net-a-Porter to sell its many other brands, including Cartier watches. Most luxury-watch firms, such as Hublot, do not sell online. This seems perverse: watches fit easily and buyers are usually collectors who know the models well. The main problem, explains Jean-Claude Biver, chief executive of Hublot, is that watch firms have long-standing agreements with independent retailers, and selling online would disrupt the system.

Another sign of change is a new venture by a former Richemont executive, Mark Dunhill, to revive Fabergé, a jewellery-maker (one of whose baubles is pictured above), using the internet as its chief global distribution channel. Fabergé, owned by Pallinghurst Resources, a mining firm, launched last September with a single shop in Geneva and a sophisticated, interactive website. The industry is watching the experiment closely. If a luxury brand can thrive without a vast investment in retail space, says Luca Solca of Bernstein Research, barriers to entry will fall.

A person close to Fabergé says it has reached its nine-month target of hooking 50 new clients, each spending on average \$100,000. Even Prada now says that within five years, some 40% of its revenues in America will come from the internet. Observers, however, doubt that such an aggressive target is realistic, noting that Prada currently sells only bags, wallets and other accessories online, not its main clothing and footwear collections.

Luxury firms may at last be waking up to the internet, but they have a long way to catch up. Carmakers have been innovating online for nearly a decade, observes Ms Okonkwo. With exceptions, luxury websites tend to be showy but unoriginal, since firms often use the same web designers. Few are properly interactive: customers usually cannot view products from different angles, or try on clothes virtually.

The most innovative online luxury firms are typically small start-ups, such as Net-a-Porter, Yoox (which went public late last year) or Gilt Group, a website which runs exclusive sales for members. All these companies have built successful new business models. The industry's ageing giants have been caught with their elegant trousers down.

Louis Vuitton, a maker of leather goods and clothes, is one of the few luxury brands to have prospered online. Unlike many of its peers, it offers nearly all its products on the web. The internet brings in as much money as one of its biggest bricks-and-mortar shops, says Antoine Arnault, the firm's communications director.

But Louis Vuitton's parent, LVMH, was last year forced to shut down eLuxury, a website founded in 2000 which sold a wide variety of luxury brands, because it lost money by the suitcasefull. According to insiders, it failed mainly because it lacked focus: it sold expensive products alongside relatively cheap ones. It is odd that an industry that would not be seen dead in last season's color is wedded to the last century's technology. Divorce beckons.

(July 22nd 2010 | BERLIN AND PARIS | From The Economist printed edition)

UNIT 8



NEW EMPLOYMENT MODEL IN THE DIGITAL AGE



A CLOUDED FUTURE

Online services that match freelancers with piecework are growing in hard times

PRE-READING TASK

- I. Is E-lancing a good alternative to full-time employment? Can it bring job satisfaction?
- II. Are E-lancing sites fiercely exploiting online workers?

It was not the Christmas present that Julie Babikan had been hoping for. In December, soon after buying a house, she was abruptly fired from her job as a graphic designer at an accounting firm in Chicago. "I had no clue that my position was about to be eliminated," she recalls. Desperate to find work as the economy tipped into chaos, she eventually advertised for work on a service called *Elance*, which allows freelancers to bid for corporate piecework. She has since built up a healthy stream of online projects and reckons she will soon be earning more than she did in her previous job.

Like Ms. Babikan, millions of workers are embracing freelancing as an alternative to full-time employment or because they can not find salaried jobs. According to IDC, a market research firm, there will be 14m of home-based freelancers and independent contractors in America alone by 2015. Experts reckon this number will keep rising for several reasons, including a sluggish jobs market and workers' growing desire for flexibility to look after parents or children.

Technology is also driving the trend. Over the past few years a number of fast growing firms such as Elance, oDesk and LiveOps have begun to take advantage of "the Cloud" - digitization, ubiquitous fast internet connections and cheap web-based computing power - to deliver sophisticated software that makes it easier to monitor and manage remote workers.

Also numerous online exchanges still act brokers between employers in rich countries and workers in poorer ones; the number of rich-world freelancers is growing. This may, in part be a result of ruthless cuts in full-time jobs. But this may be also a sign of another notable trend: the range of work available on "e-lancing" sites is growing to encompass more complex and better paid tasks. Legal and financing work is coming online. Recent projects posted on Freelancer.com include the composition of a rap song to help teach English to Chinese students and a design for a luxury hotel in Barbados. Such work is more likely to be won by educated Western workers, especially if it requires local knowledge.

To boost demand for their services, online employment outfits have developed sophisticated software to screen workers and to manage their relations with employers. LiveOps, for instance, submits its pool of freelancers to a battery of tests to assess their suitability for cloud mediated work. ODesk has developed tools that let employers check on work being done out of their sight. These include a feature that takes screenshots of a worker's desktop six times every hour, combining them to a kind of a "work diary" and another that measures overall time spent using a keyboard and a mouse. It is not a "spy ware" on workers' computers as employers are likely to outsource important projects only if they can track their progress closely.

Workers may put up with such Big Brother-ish monitoring because oDesk guarantees them payment for any work they complete, saving them the hassle and risk of attempting to collect money from employers.

Some in the fledging industry reckon that the growth of "e-labor" will mirror that of e-commerce which took longer than expected to catch on. "Maybe by 2020 it will have taken off. One reason for this is that younger workers will want many jobs during their careers and will be more comfortable with the technology that makes remote working possible.

The industry will have to negotiate several hurdles. The first is the natural conservatism of managers who like to see the whites of employees' eyes. The industry also has to overcome frequent criticism that it is running little more than "digital sweatshops" that drive down wages and humiliate workers. The regulatory environment, too, is uncertain. Alek Felstiner of the University of California predicts that some governments will draw up rules that make it harder for firms that regularly tap workers in the cloud to label e-lancers as independent contractors rather than employees with more rights.

E-lancing sites are confident that their model of work will find a way through the regulatory maze. They fiercely reject claims that they are exploiting online workers. Repeated surveys in rich and poor countries alike, they claim, show that people appreciate both the autonomy and the breadth of opportunity that the model gives them. Ms. Babikan admits she was initially nervous about competing with rivals from low-wage nations, but quickly secured enough work to keep her busy from such countries as Canada, France and Thailand as well as America. In fact she now has so much work that she is thinking of hiring an administrative assistant to help her - a virtual one, of course.

(The Economist May 13th 2010 |)

COMPREHENSION

I. The following phrases are taken from the article. Explain in your own words what is implied by the author.

1. A service called *Elance*, which allows *freelancers to bid* for corporate piecework.
2. Also numerous online exchanges still *act brokers* between employers in rich countries and workers in poorer ones.
3. LiveOps, for instance, submits its pool of freelancers to a battery of tests to assess their suitability *for cloud mediated work*.

4. Some in the fledgling industry recon that the growth of “*e-labor*” will mirror that of *e-commerce*.
5. Workers may put up with such *Big Brother-ish monitoring*.
6. Managers who like to see the whites of employees’ eyes.
7. The industry also has to overcome frequent criticism that it is running little more than “*digital*” *sweatshops*.

II. Answer the questions about the article

1. Why does Ms. Babikan’s story open the article as well as finish it?
2. Why is the number of rich world freelancers growing steadily?
3. How many home-based freelancers and independent contractors are expected in America by 2015?
4. What kind of work is coming online?
5. Are workers in rich countries or poorer ones expected to win more complex and better paid tasks?
6. Name some dotcoms which deal with outsourcing online. What services do they provide?
7. What does their new sophisticated software enable clients to do?
8. Why do freelancers put up with the Big Brother-ish monitoring?
9. What hurdles should the new industry overcome in order to survive?

FOLLOW-UP ACTIVITY

I. If you created an E-lancing site what tools could you use to encourage e-lancers work harder?

II. What autonomy and breadth of opportunity does this employment model provide?

ADDITIONAL TEXTS FOR READING

Text 1

EMPLOYEE MOTIVATION AND JOB SATISFACTION = SMALL BUSINESS SUCCESS

To Motivate - as a definition means "give an incentive for action." For the small business owner, motivation is a huge factor for either the success or demise of your company. You need to devise an "employee motivation program".

Positive Reinforcement

Showing your employees that you are willing to recognize their accomplishments and hard work is undoubtedly the simplest and least costly methods of employee motivation. There are many ways to convey this to your employees. Token gifts, Employee of the month awards, or a pat on the back, all show how much you appreciate them. As you increase your employee's sense of pride and accomplishment he or she feels better about their job and in the end are more productive.

When your employee's function as a team, think like a coach. Reward the whole group for a job well done. This will boost morale both personally and collectively. Employee incentive programs such as small bonuses (time off, monetary), employee award certificates, etc,

all serve to better the company as a whole. Remember that everybody like to feel appreciated and special for the work that they do.

Happy Employees

It's not illogical to determine that the more satisfied the employee, the better he or she will perform. So the environment that you create for your employee must be one that is constructive to positive energy. If your employee feels happy when they are working, then they will be naturally encouraged to work.

Some of the methods for increasing job satisfaction include:

A) Allowing flexible schedules.

It is becoming common for the small business to allow their employees to work alternative schedules that don't follow the traditional 9-5 workday. Job sharing or part time schedules - once a main stay for the elementary teacher - is also becoming very popular in the small business environment.

B) Telecommuting. Some jobs can be performed by employees who telecommute from their home computers a few days a week

C) Performance reviews - scheduled regularly - allow you to give your employee positive feedback and let them know what is expected in the near future.

D) It is also a good practice to encourage employees to do various tasks so that their jobs to not become routine and boring.

E) Permit your employees to improve and decorate their own workspace.

F) Encourage socialization through lunch time or after hour activities.

G) Stress that employees can move up and advance within your small business.

H) Portray an open-door policy, so that employees feel comfortable with asking questions or making recommendations.

I) Make donations to charities selected by the employees on behalf of the company, or sponsor a team or event that is of immediate interest to your employees.

Be clear when talking to your employee and let them know that their opinion or views are important in building a viable company. Strong communication skills are necessary when assigning tasks to your people, so that the project is clearly defined and understood. Don't overload your workers with information or demand that they try to complete tasks that aren't reasonably attainable.

You will probably see better results from your employee if you sit down with them periodically and ask them for feedback. To help manage this process you should use a CRM package such as Salesboom.com. With this type of software you can schedule your meetings with your employees, link them to joint projects, establish a consistent and open dialogue and log every issue on a case-by-case basis.

Highly paid motivational speakers may be brought in for pep talks, but in the end you will be left to motivate them in an ongoing basis. Find out what they like about their jobs, what they dislike, and what they would like to see changed or improved. Perhaps you can start with anonymous employee satisfaction surveys, which will allow employees greater latitude in communicating how they honestly feel about company policies, management and their jobs. Would the employees do better if they had more training in there position? Are they concerned about the equipment they are using? Is the balance of supervision equal to there expectations? Would flexible hours help employees who have long commutes or family responsibilities? Questions of these types are a good starting point to gain the necessary information from your people.

Why do employees become disenchanted? Here are five common reasons:

1) They feel that their concerns, problems, suggestions or complaints are being ignored by management.

2) They feel that they are stuck in positions with no potential for advancement.

3) They are bored because the tasks are routine and they are not encouraged to take on new projects or new responsibilities.

- 4) They only receive negative feedback.
- 5) The office environment has become impersonal and sterile. The social aspect is gone.



The Harvard Business Review shares three ingredients that lead to job satisfaction. Whether you are a leader responsible for the jobs of others or whether you are looking for a job yourself, you'll probably find that the best job fit for you is one that lets you do:

What you like to do. If what you enjoy doing most is useful, it ought to be part of your career.

What you do best. Many people spend years trying to improve areas of weakness. Focus your energy on mastering what you're good at.

What is valuable to the organization. Figure out how your particular strengths can be used to better your company, unit, or team. A sense of contribution will make you feel more engaged.

If your current role doesn't fulfill all three, talk with your manager about changing some of your responsibilities. If there is a real mismatch, consider switching organizations or careers. :

Text 2

OUTSOURCING IN BELARUS

ADVANTAGES OF OFFSHORE SOFTWARE DEVELOPMENT IN BELARUS

Automation, improvement and speed, these are certain points that defines the superiority of software development today. Outsourcing software development is a kind of outsourcing in which the jobs of software development are transferred to offshore countries like Belarus. With increasing competition and demand of effectiveness and speed, software development processes are getting more sophisticated with the combination of trusted old and swift advance technologies. Mainly companies in USA and Europe transfer software development job to Belarus, Russia or other Asian countries. And in order to stay class apart and favorite to their customers, more and more companies are thinking of outsourcing software development meeting closely what their highly particular business requires. Some of the ultimate benefits and advantages of outsourcing given here can definitely boost up your belief in outsourcing.

In Belarus offshore software development has some advantages and also some disadvantages.

Cost factor enjoys being the foremost and preferred reason for the fame of software development outsourcing. Start up companies prefer to invest least amount of money as they have to set up many things at their infancy to grow up. Thus, outsourcing clicks them at the first moment. It will not only help them grow financially while saving money through outsourcing but also give access to modern infrastructure and skilled manpower. Outsourcing software development in Belarus resolves this problem. Along with the cheap labor Belarusian software professionals are so skilled and high mental level persons. This is the main reason that the US and Europe companies transfer their jobs in Belarus. By off shoring their jobs the companies will save a lot of money (around 60%). In US the average salary of software developer is \$21000 per year. In Belarus the salary of software developer is too less in comparison to US or Europe.

Superior quality, affordable prices, assured winning results, what else a company needs to stand out in the market. Credited to these benefits, offshore outsourcing is proving outstandingly money-spinning for companies that are making use of it.

Disadvantages offshore software development in Belarus

There also some disadvantages of offshore software outsourcing in Belarus. Many outsourcing business fail due to business misunderstanding. Usually new companies are unable to understand the process of outsourcing software and fail before grow.

Offshore software development industry in Belarus is still new, young and largely unproven. However there are also lots of success stories which prove Belarusian off shoring is best.

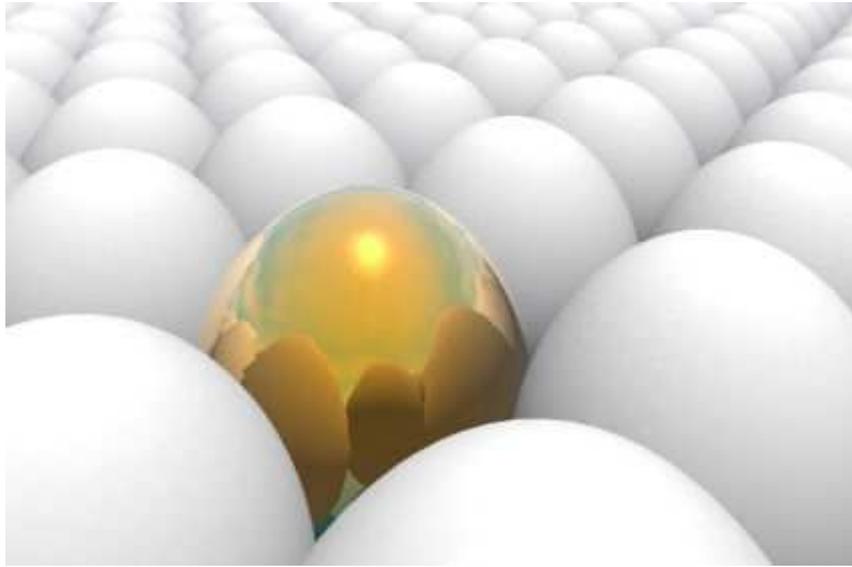
Another disadvantage is that outsourcing in Belarus can also prove to be a threat to the security and confidentiality of issues of a company. If company is outsourcing business process such as payroll, email accounts or social numbers, confidential information such as salary will be known to the outsourcing service provider. Therefore one must be very careful and precise in choosing which business process to outsource and which one not.

Software outsourcing may also result into the possible loss of flexibility in reacting to changing business conditions, lack of internal and external customer focus and sharing cost savings. Loss of internally generated talent is yet another problem associated with the outsourcing as it may hamper the growth of an employee by depriving him from the experience he would have gained by handling the business issue himself then by passing it over to some other external party.

UNIT 9



RAISING FINANCE



RECOVERY, VERY EARLY STAGE

Venture capitalists are licking their wounds – and their lips

PRE-READING TASK

I. Which methods of raising finance do you know?

II. What are advantages and disadvantages of different types of money to get started with?

III. Why are many innovative IT start-ups being still born today through the lack of capital?

§ 1. How can you spot the venture capitalists at a business conference? They are the people who are always hunting for the exits. Today that joke makes financiers of start-ups wince rather than smile. Venture firms hope to mint money when the fledgling businesses, they back eventually stage an initial public offering (IPO) or are bought by other firms. But these “exits”, as they are called in the industry’s jargon, pretty much slammed shut when the global financial crises broke. Now the number of IPOs and acquisitions is rising again, but not fast enough to help many struggling venture funds.

§ 2. To some observers, America’s venture industry is going through a nasty correction from which it will inevitably bounce back. To others, it is in the midst of a structural change that could end up damaging America’s ability to create the next Google or Microsoft. The National Venture Capital Association (NVCA) recons the industry faces “unprecedented challenges”.

§ 3. Arguably the most important of these is achieving more exits. In the first quarter of the year there were almost as many IPOs of venture-backed firms as in all of 2009. At the end of March another 43 venture-funded businesses had registered with America’s Securities & Exchange Commission to go public. That’s encouraging stuff, though some fret that any hiccup

in equity markets could scupper these plans. The prospects for M&A deals are more robust. According to the NVCA a record 111 deals involving venture backed firms were inked in the first three months of the year. Big technology firms have lots of cash to spend: on April 28th HP announced that it was buying Palm, a venture backed maker of smart-phones, for \$1.2 billion.

§ 4. The snag is that valuations may not have risen enough to make juicy returns for venture firms. This matters because institutional investors battered by the downturn are already wary of committing additional cash to relatively illiquid venture funds. Poor returns gave them another excuse to keep their coffers closed.

§ 5. Indeed, many finance folk recon the fund raising environment is the worst since the industry was born in the late 1960s. One result is that more and more venture firms are winding down their activities, instead of raising new funds they are going to concentrate on their existing assets in the foreseeable future.

§ 6. Mr. Levenson, the boss of *Levenson Venture Partners* in San Francisco, warns that “the significant liquidity bottleneck” could well reduce the number of new firms created each year in America and hold back job growth. He is not the only one who is worried that innovation may be stymied. Some also worry that there will be fewer people interested in finding the next big idea. Besides there is a concern that regulatory and fiscal issues such as proposal to change how venture capitalists’ profits are taxed, could further damage the industry’s prospects.

§ 7. Others are more optimistic and point out that venture funds raised when capital is scarce have outperformed those put together when venture firms were flush with cash. They also argue that changes in the corporate world will give boost to M&A deals. In particular, many big companies are scrapping large, centralized R&D teams in favor of smaller in-house units and alliances with promising start-ups.

§ 8. Venture firms are certainly feeling more bullish. A regular survey of 36 Silicon Valley venture capitalists shows that their confidence has risen steadily since the start of 2009. In recent weeks there have been reports of venture capitalists bidding up valuations of hot start-ups in order to get a stake in them. For some firms with deep pockets, it seems that the worry is how to get into deals. For the rest, locating the exit remains a priority.

COMPREHENSION

I. Explain in your own words.

- hunting for the exits
- an initial public offering (IPO)
- venture backed firms were inked
- juicy returns
- to keep their coffers closed
- winding down their activities
- “the significant liquidity bottleneck”
- firms were flush with cash
- scrapping large, centralized R&D teams
- feeling more bullish
- venture capitalists bidding up valuations
- firms with deep pockets

II. Read the whole article and match these questions to the paragraphs they relate to.

§	Did the number of exits increase in 2010?
§	What can threaten America's ability to create the next Google or Microsoft?
§	How has the fund raising environment changed since the late 1960s when the industry was born?
§	Which venture capitalists are licking their wounds and which ones their lips?
§	What consequences are expected from "the significant liquidity bottleneck" (relatively illiquid venture funds)?
§	What makes M&A deals less attractive to venture firms in the current downturn?
§	When do venture capitalists usually mint money? What makes the exits slam shut?
§	Why are big companies scrapping large, centralized R&D teams?

FOLLOW-UP ACTIVITY

I. What do you know about venture companies in Belarus?

II. What industries are they investing at?

III. What recommendations would you give to start –ups about the fastest and the most effective way to raise starting capital?

ADDITIONAL TEXTS FOR READING

Text 1

THE BRIGHTEST AND THE REST

Venture capital in America

Too much money has been chasing too few great start-ups

ONE of Silicon Valley's biggest success stories is doing his bit to lift the gloom hanging over America's venture-capital (VC) industry. On July 6th Marc Andreessen, who made his name in the 1990s as the co-founder of Netscape Communications, the firm behind one of the earliest web browsers, announced that he and a partner, Ben Horowitz, had raised \$300m to back promising start-ups. The fund was heavily oversubscribed and attracted money from several other tech luminaries.

His is not the only glimmer of light. On July 9th the latest results from a “confidence index” compiled by Mark Cannice of the University of San Francisco showed that venture capitalists had become more bullish for the second consecutive quarter. The comatose market for initial public offerings (IPOs), an important exit route for VCs looking to unload companies, is also showing a few signs of life. According to Thomson Reuters and the National Venture Capital Association (NVCA), an industry group, there were five venture-backed IPOs in the second quarter of 2009, worth a total of \$721m.

Yet the worst is far from over. The downturn has battered many start-ups, forcing their backers to pump in more cash to keep them afloat. The dire state of the IPO market and the mergers-and-acquisitions business means VC funds will have to hold on to firms for far longer than planned. This will almost certainly lead to a dramatic reshaping of the industry. Mr. Andreessen reckons that as many as 300 of the 880 or so active funds in existence could disappear. Observers are on the lookout for “zombie funds”, which keep their existing investments ticking over until they mature but stop making new ones.

The NVCA is lobbying hard for changes that it thinks will revive the IPO market. Among other things, it argues that a new generation of small investment banks is needed to support venture-backed offerings. “We can’t sit around and wait for the big banks to come to us,” explains Dixon Doll, a former chairman of the NVCA. The group also wants regulators to reduce the compliance burden on small firms thinking of going public.

But the proposals fail to address the root cause of the industry’s problems, which is that most venture capitalists have failed to find enough decent companies to deliver the returns they promised investors. A recent report by Paul Kedrosky of the Ewing Marion Kauffman Foundation, a research outfit devoted to entrepreneurship, points out those ten-year VC returns will turn negative at the end of this year as the big wins from the dotcom era fade away.

The problem is that although many venture capitalists have been outstanding at raising cash, they have been pretty lousy at investing it. Even after the dotcom bust, endowments, pension funds and rich families fell over one another in a rush to back funds they hoped would produce the next Google or Genentech. “Everybody and his brother jumped into the business,” says Navin Chaddha of Mayfield Fund, a big venture firm. As a result VC funds have been investing, on average, a whopping \$26 billion a year in start-ups since 2004.

But much of the money has ended up in me-too companies that will not become the shining stars venture funds so badly need. All that cash has also inflated valuations of fledgling businesses, making it harder for VC funds to turn a profit on them. Many reckon the industry needs to become substantially smaller. Fred Wilson, a venture capitalist who pens a blog on the industry, has estimated that the amount invested each year needs to fall to around \$15 billion-17 billion in order to produce acceptable overall returns. Mr. Kedrosky puts the figure at \$12 billion.

Investors are already tightening their purse strings. According to the NVCA, venture funds raised a total of \$4.3 billion in the first three months of the year, compared with \$7.1 billion in the same period of 2008. Only three new funds were launched in the first quarter of this year, compared with ten and 21 in the same period of 2008 and 2007 respectively.

Even existing funds will find it hard to raise fresh capital unless they are at the very top of the industry’s pecking order. Josh Lerner, a professor at Harvard University, points out that the top 10-15% of funds have generated a large percentage of the industry’s total returns over time, partly because of their experience but also because their reputations make them a magnet for top entrepreneurs. So investors are still likely to compete for a slice of funds run by the likes of Sequoia Capital and Benchmark Capital, two industry leaders.

Does all this mean that Mr. Andreessen's timing is off? Not necessarily. For one thing, his extensive network in the Valley—where he sits on the boards of Facebook and eBay—means he should be able to tap into some of the brightest minds around. For another, funds raised during a recession tend to outperform those created during booms, perhaps because there is less competition around for portfolio companies. It makes sense for Mr. Andreessen to enter the VC business when his peers are heading for the exit.

(The Economist July 9th 2009 | SAN FRANCISCO | from the print edition)

Text 2

ANGELS CAN OVERCOME DEALS WITH THE DEVILS

By Richard Waters in San Francisco

Outside capital always comes with strings attached. But raising money does not have to feel like doing a deal with the devil – particularly given recent developments both in the funding needs of young companies and the sources of money available.

There are plenty of horror stories to learn from. Take the experience of Charles Entrekin, a serial entrepreneur based in California whose technology services company took outside money to help expand into the software business. “When the big boys come to play, they come with an agenda,” he complains. “They want to get rid of you.”

Like many company founders, Mr. Entrekin and his partners accepted an outside chief executive as a condition of taking venture capital money. Then, when heavy spending in pursuit of rapid growth left the company in need of more cash, they were forced to accept another round of capital-raising that diluted their interests.

Many founders fear that heavy-handed venture capitalists, chasing high returns, will ride roughshod over their concerns. But it doesn't need to be that way.

For a start, the days when start-ups felt the first thing they had to do was rush out and raise a large amount of money are over. That partly reflects a more mature attitude among entrepreneurs, says Frederik Fleck, a German entrepreneur who now works in Silicon Valley, where winning an early venture capital round was once something to brag about.

He also points to the declining capital needs of start-ups, now that they can rent access to IT resources over the internet rather than having to set up their own technology systems from scratch. “It's a lot easier today to start a company with a lot less money,” adds Maynard Webb, a former chief operating officer of eBay.

Mr Webb is part of a growing band of angel investors – wealthy individuals, often entrepreneurs themselves, who put their own money on the line. Though they have been around for a while, angels are becoming a bigger force in early-stage investment.

Angels used to write cheques for \$25,000-\$100,000, but many are now happy to put up \$250,000 or even \$500,000. Given the relatively small amounts they put to work, they claim not to need the big successes that venture capitalists seek, enabling them to be more patient.

“We don’t have a preconception about what an exit should be and don’t put a lot of onerous conditions on founders,” says Aydin Senkut, a former Google executive who has just raised \$40m from a group of other angels to back start-ups.

Such claims, clearly, contain a large amount of self-promotion. But, operating on a smaller scale than venture capitalists, angel investors can consider investments with more moderate long-term prospects.

Like all outside investors, it pays to know who you’re dealing with. Angels tend to rely on extensive networks of personal contacts, and can use these to support the entrepreneurs they back.

For instance, when setting up his latest venture, an online service called TVMoment, Mr Fleck says he found backers with personal connections in the TV business to make up for his own lack of experience in the field.

Having the right backers also opens other doors. Matt MacInnis, founder of Inkling, whose technology is used to enhance textbooks for Apple’s iPad, says that finding well-connected investors has eased his company’s growth in its first year.

In his case, early backers included Mr Senkut and Ram Shriram, one of the first investors in Google. These investors may not have provided a lot of direct help or advice in running the business, but their networks were invaluable when it came to bringing in bigger investors as the company grew, says Mr MacInnis.

Picking wealthy individual backers can also backfire. Some want to get too closely involved.

“There are some angels who no longer work and who want to come and spend too much time with you,” warns Mr Webb.

Ultimately, though, the same overriding consideration applies to picking angels as VCs: to work out whether they share an entrepreneur’s goal for the business, and how impatient they are to get there.

(Published: August 31 2010 richard.waters@ft.com)

UNIT 10



THE FUTURE OF BUSINESS



GENERATION Y AND BRANDS

PRE-READING TASK

I. What brands do Generation Yers prefer? Could you name any top brands?

II. Do they respond to any marketing efforts?

1 ■ In one shopping mall, Clerk Laura Schaefer has been handling returned goods. ‘They say “My mom and dad got me these”.’ Parents in Nikes sit quietly while their teenage daughters try on massive platform shoes. Asked what brand names are cool, these teenagers give a list of names their parents have never heard of. Which brands are over? Now the names are familiar: Levis, Converse and Nike. ‘They just went out of style.’ shrugs Lori Silverman, 13. Labels that have shaped popular tastes since the Baby Boomers were young simply aren’t producing the same excitement with today’s kids. Pepsi Co. Inc. has struggled to build loyalty among teens, Nike Inc.’s sales are tumbling as the brand sinks in teen popularity polls, while Levi Strauss & Co. is fighting falling market share. Meanwhile, newcomers in entertainment, sports equipment and fashion have become hot names.

Today’s kids aren’t Baby Boomers. They are part of Generation Y which rivals the baby boom in size and will soon rival it in buying power. Generation Y is the 60 million children born between 1980 and 2000. Marketers haven’t been given an opportunity like this since the baby boom. Yet for a lot of established brands Generation Y presents huge risks; Boomer brands flopped in their attempts to reach Generation X, but with only 17 million that was tolerable. This is the first generation to hurt a Boomer brand simply by ignoring it – and big enough to launch rival brands.

Companies unable to connect with Generation Y will lose out on a vast market. Along with cynicism Generation Y is marked by a distinctly practical worldview. Raised on dual income and single-parent families, they have already been given substantial financial responsibility. **2** ■ Most expect to have careers and are already thinking about home ownership.

Nike has discovered to their cost that Generation Y is different. Although still popular among teens, the brand has lost its tight hold on the market in recent years. Nike’s slick national ad campaigns, emphasizing image and celebrity helped build the brand among Boomers, but they have backfired with Generation Y. **3** ■ Instead Generation Yers respond to humor, irony and the

truth. Sprite has scored with ads that make fun of celebrity endorsement and carry the tagline “Image is nothing. Obey your thirst.”

This doesn’t mean that Generation Yers aren’t brand conscious. But marketing experts say they form a less homogeneous market than their parents. One factor is their racial and ethnic diversity. Another is breaking up of media, with network TV being replaced by cable channels. Most important is the rise of the internet which has sped up the fashion life cycle by letting kids everywhere find out about even the most obscure trends as they emerge. 4■

Marketers who don’t learn the interests and obsessions of Generation Y will meet a wall of cynicism and distrust. 5 ■ A growing number, including Universal studios, Coca Cola and McDonald’s are using “Street teams”. Made up of young people, the teams hang out in clubs, parks and malls talking to teens about everything from fashion to finance. Will the brands that grew up with Baby Boomers re-invent themselves for Generation Y, or will the new brands of the Millennium bear names that most of us have not yet heard of?

(Business Week)

COMPREHENSION

I. Five sentences have been removed from the article. Choose the most suitable one from the list (A-F) for each part (1-5) of the article. There is one extra sentence which you don’t need to use.

- A. ■ ‘It doesn’t matter to me that Michael Jordan has endorsed Nikes,’ says Ben Dukes, 13.
- B. ■ To break through this, marketers are making their campaigns more subtle and more local.
- C. ■ Generation Yers ' knowledge of internet technology can also help companies save money.
- D. ■ All across America a new generation of consumers is making its presence felt.
- E. ■ It’s the Generation Y medium of choice, just as network TV was for Boomers.
- F. ■ Surveys show they are deeply involved in family purchases, be they groceries or a new car.

II. Read the article and choose the most suitable heading (A-F) for each paragraph (1-5). There is one extra heading which is not needed.

- A. “Image is nothing. Obey your thirst”
- B. Obscure future of Boomer brands
- C. Confident and impatient
- D. Established brands sink in teen popularity
- E. "The Net Generation"
- F. Newcomers with practical worldview

FOLLOW-UP ACTIVITY

I. Find some points of similarity and difference between Generation Yers born in the West and you who live in the former Soviet republics. Are there any basic differences in upbringing, culture, values and attitude to brands?

II. How to use this differences, developing marketing campaigns targeted at them?

Text 1

ADDITIONAL TEXTS FOR READING

MARKETING TO GENERATION Y: WHAT YOU CAN'T AFFORD NOT TO KNOW

We are at a very critical crossroads in our world - Approximately 70 million Baby Boomers (born between 1945-1965) are expected to retire by the year 2012 while 72 million Generation Y (born between 1977-1990) will fill their roles they have so deftly held in corporations, government, education, business, the field of medicine and a variety of professional and non-professional circles.

What this means is that the purchasing power is going to be largely transferred from Baby Boomers, who are retiring, down to their children and grandchildren. You don't have to look too closely at advertising to know who the cutting edge companies are targeting with their messages . . . Generation Y.

This article will provide you with insight into how to begin reinventing your brand in order to reach this growing demographic of consumers. And . . . in order to know how to reach Generation Y as consumers, you must start by understanding their values and what really makes them tick.

Generation Y's Top Values

First, let's take look at who Gen Y is and what they most value. Generation Y includes the young men and women born between 1977-1990. They have witnessed the unfortunate events of September 11 unfold live, on television and stood by as many of their friends and Gen Y peers were gunned down at Columbine and Virginia Tech.

They were born with a cell phone and a laptop in their crib. To be "plugged in" 24/7 has almost become a natural extension of their being. They have had instant access to every bit of information available to them, have watched wars live and on television and listened in the next room as their dad or mom told a spouse that they had been fired, downsized or laid off.

As a baby boomer, I can tell you that this generation, sometimes called the "Connecters", are our own invention. Between all of these events, and our "helicopter parenting", we have raised Gen Y to believe that they can do anything and be anything . . . that the world is their oyster and every oyster contains a perfect pearl. We made their lives easy enough that they now believe they deserve to live first and work second. (How dare them!) So the first thing we have to do is stop being ticked off at our own creation and embrace the brilliance of this Gen Y community.

This is the most optimistic generation to ever walk the face of the planet. They absolutely believe that miracles are possible. They refuse to work a job that does not bring them a sense of

joy. They care about the earth and servicing their community. In Gen Y, we have created the possibility for everything that we wanted for the world. So we must stop whining about them being entitled and embrace the power of this generation. Once we do that, we can then begin to take a closer look at who they are, what makes them tick, and what they want from our businesses.

Generation Y places an extremely high value on:

- Connection**
- Diversity**
- Living first**
- Time with friends**
- Civic activities**
- Taking care of the environment**
- Authenticity**
- Quality**
- Inspirational experiences**
- Access to information**
- Ongoing learning**
- Career development**
- Freedom to travel**

Marketing to Gen Y: What You Can't Afford Not to Know

Generation Y. You've heard that they don't watch TV, and you've probably been told that they don't read that much. Your research tells you that you can't target them through MTV anymore, and you certainly can't tell Gen Y what is cool. So how do you reach these 71 million "Millennials" that spend over 200 billion dollars annually and will soon replace the baby boomer generation as the largest percentage of the workforce? The answer is simple--you STOP marketing to them. Let me explain. Let's look at who has been successful at marketing to Gen Y: Apple, Jet Blue, Trader Joes, Jones Soda, Mountain Dew, and Red Bull, to name a few. How do these companies speak to this demographic? They don't talk down to them. They don't push their brands into their faces. They allow their somewhat quirky, simple, high quality brands AND their raving fan customers to do the job for them. To effectively market to Gen Y, we first have to understand the four areas Gen Y considers before purchasing a product or service:

- | | | | |
|------------|--------------|--------------|-----------------|
| Cheap cost | Good quality | Fast service | An "experience" |
|------------|--------------|--------------|-----------------|

When Apple created the 99-cent download that took eight seconds to transact, they hit the nail on the head with Gen Y. Music is an experience, the quality is stellar, the cost is low, and the purchase happens instantly. What did Apple do right? They spoke directly to Gen Y and asked the question: What do you want?

So who gets Gen Y's attention? Living in an age where information is everywhere and where everyone can reach them, the Gen Y community is VERY selective about who they listen to. Just look at their MySpace and Facebook accounts and you'll recognize that they get their information from one another--NOT from us, and certainly not from the media. And the information they get from each other is not in emails, which most of them don't even touch anymore (I know you probably thought you were being hip with your 100 emails a day!).

They text one another. They IM. They watch each other on YouTube. And sometimes they do all three at the same time! Most importantly, Gen Y does NOT care about what you have

to say unless you have been endorsed by their friends. They care about what their community says, and they take each other and their network's recommendations VERY seriously.

So taking that into account, how do you reach them? Well, understand that Gen Y is an "experience" culture. They do not want to be told what to like or what to do. They want to experience the world for themselves and pass their own judgment. They love to be in the trenches of life, and they want to be there with their friends. HERE is where you have to meet them if you want to be taken seriously and respected by this generation enough for them to buy from you:

- Concerts (Gen Y LOVES live music.)
- Extreme sporting events (skateboarding, snow boarding, BMX)
- Movies (mainstream as well as art-house)
- Hiking events (They love the outdoors)
- Video games and video game competitions (Cyber Athlete Professional League, GameCaster, Global Gaming League)
- Mashups (Weather Bonk, Where's Tim Hibbard, Y! Mash, Sims on Stage)
- Social networking sites (Facebook, MySpace, Second Life, del.icio.us, DIGG)
- Tattoo parlors (36 percent of them have at least one tattoo)

Before I wrap this up, there is one more major element we need to discuss, and that is how to earn their respect when you are talking with Gen Y: AUTHENTICITY. They don't waste time on people or companies that are not being real with them. Authentic is cool. Authentic is dorky. Authentic is hip. Authentic is truthful. This generation has seen it all, from televised wars to 9-11 to the hanging of Hussein. They know real when they see it, and it takes them all of three seconds to pass that judgment.

So what does all this mean to you? It means that you cannot directly market to them until you buy into them, until you value their perspective on life. So while other experts are out there giving you "tricks" to market to Gen Y, I'm here saying STOP marketing to them and START listening to them. Hang out with them. Experience life with them! Respect them. If you do, their outlook on life will change you. You'll begin to behave differently, take on some new values, and begin to live more yourself. When you do that, you'll find your audience within this generation. Then talking "with" them, not "at" them will sell your business.

The Top Gen Y Brands

Outlaw Consulting published a wonderful report in 2007 with the top 15 most loyal brands, and here is a synopsis of what the company found as the top companies Gen Y is showing its loyalty to (in this order):

- Apple
- Trader Joe's
- Jet Blue
- In N Out
- Ben N Jerry's
- Whole Foods
- Adidas
- American Apparel
- Target
- H & M
- Levi's
- Volkswagen
- Converse

Vitamin Water

Red Stripe

According to Outlaw, here's the basic formula for success when marketing to Gen Y:

Clean + Simple= Hip (no fuss, no muss!) It's trendy to be simple and easy!

Quirky, unique and dorky (Jet Blue and Trader Joe's are both known for being one of a kind shops)

Happy employees (people who work at the aforementioned companies say, they LOVE their jobs!)

So . . . there you have it! I have to say, I agree 100 percent with this list. I am a Boomer/Gen X hybrid, and I love these brands too.

Steps to Get You Started

After reading this report, you have probably realized that Generation Y cannot be reached through traditional marketing channels. Direct mail, print ads, and television advertising bounce off these powerful consumers like bullets on Superman's chest. They are impermeable to the marketing messages that appealed to their parents and grandparents.

Generation Y represents a massive group of influencers -- the largest, and the most cutting edge generation in our history. They cut their teeth on technology, grew up with the knowledge they could do anything (because their parents and teachers told them so!), and the desire to make a difference in their world.

So how do you break through this marketing barrier when they can choose their own music without listening to a commercial radio station, can block outsiders from their social circle -- which revolves around cell phones and online networks like www.FaceBook.com and www.MySpace.com -- and only refer to newspapers when they need packing material to move on to their next venue?

In my work with emerging leaders, I've discovered many ways in which marketers have totally missed the mark with Generation Y consumers by not acknowledging their motivators. So let me clue you in to the ways in which you can effectively connect with this growing market of savvy spenders.

1) Respect them as consumers: Members of Generation Y are tech savvy and highly intelligent. Don't talk "at" or "down to" them.

2) Get to know them. Before they will do business with you, Generation Yers want to know that you care enough to find out what makes them tick. But don't rely on the old method of marketing surveys. Get out there and talk to them. Find out how they spend their free time, the music they listen to, and what they eat, wear, read, watch, and drive. You might just be surprised by what you learn!

3) Look cool and hip: As Steve Jobs said about his Apple iBook: "I wanted to make the computer look so cool and so attractive that Generation Y would want to lick the screen." Generation Y will buy based on a sleek, beautiful, cool-looking package. To see what's working, visit www.Apple.com.

4) Be socially responsible: Generation Y is incredibly conscious about social causes including the environment, animal rights, and world hunger. They want to know that your company is aligned with a cause that creates an emotional connection with them.

5) Be real: Young consumers can spot a phony from a mile away. Don't try to talk the talk if you don't speak the language. Be honest and open. Drop the old sales-speak and be sincere when marketing your products and services.

6) Join their networks: Generation Y will not come looking for you. If you want to attract Generation Y, go where they hang out: social networking sites. www.MySpace.com, www.Facebook.com, www.Twitter.com, <http://Del.icio.us>, and www.SecondLife.com are the hot sites for Generation Y and cost nothing to join. Invest time in reading what they are writing about and getting engaged in an online conversation, and your return will be the knowledge of how to market to them.

7) Take it to the streets: Today's youth love experiences. Promotional stunts, product sampling, and rollouts in a strategically placed venue attract the young urban buyer. They thrive on word of mouth marketing, and street marketing is one of the best ways to create buzz for the young consumer. Today's smart marketers use street teams and event marketing to reach Generation Y. For more information visit www.streetteampromotion.com and www.mryouth.com.

8). Give them a chance to win: Generation Y is wild about winning a contest or receiving a gift, especially if it's meaningful to them, like an iPod, a trip to a national snow boarding competition, or tickets to a hot concert. And you'll always be able to reel them in with great java and food. But one caveat: Generation Yers travel in groups so be sure the gift or prize includes enough spending power for them to bring along their friends.

9) Go viral: www.YouTube.com turned the Internet from an information highway into an entertainment complex without walls. Video (vodcast) and audio (podcasts) bits uploaded to your site can spread across the Internet as Generation Yers share their favorites with their friends, who pass it along to their circle, and so on.

10) Join GenYBuzz.com. One of the best ways to learn how to market to this Generation is to educate oneself, connect with others to gather new ideas and to begin engaging with experts who know the inside and out of this generation. The GenYBuzz.com site can serve as your guide to getting much closer to reaching these new consumers.

(By Bea Fields. Thursday, 25th December 2008)

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UNIT 11



TAKEOVERS AND MERGERS



SCARING THE SALARYMEN

Fear of foreign takeovers may spur change in corporate Japan

PRE-READING TASK

- I. What do mergers and marriages have in common?
- II. What are the pros and cons of mergers?
- III. What is the difference between mergers and takeovers?

Managers across Japan were stunned last month when a factory belonging to Ogihara, a Japanese diemaker, was sold to BYD, a Chinese carmaker that boasts Warren Buffett as an investor. In a sign of the sensitivity of the matter, the Japanese firm tried to keep the transaction quiet, never issuing a press release and refusing all interview requests.

Japan has a long history of resisting foreigners who seek to buy their way into the country. But most recent squabbles have at least been with firms from America, a political ally. Deals involving firms from the Chinese mainland are touchier because the two countries' uneasy relations. This has kept the number of Sino-Japanese mergers and acquisitions low, even as China surpassed America in 2007 to become Japan's largest trading partner.

Yet the volume of deals is now increasing. The number of purchases of Japanese firms by Chinese ones almost doubled last year and their value nearly quadrupled, albeit from low bases. The deals usually involve small firms with specialist technology which sell a stake or a subsidiary rather than the whole company, typically for a few million dollars.

Chinese firms are not attracted by Japan's stagnant domestic market, with its declining population and chronic overcapacity; they want to acquire technologies, skills and brands that can be brought back to China or used in other countries. In return, the Japanese firm may get not

only capital and new management ideas, but also better access to the burgeoning Chinese market.

This is the case with Laox, an atrophying electronics retailer in which a Chinese franchisee and Suning, a big Chinese appliance retailer, recently bought a 51% stake. The new owners have revamped the firm's Japanese stores to cater to Chinese tourists who flock to Tokyo to shop, and plan to open 110 Laox outlets in China over the next three years. By that time they expect sales in China to surpass those in Japan.

Importantly, the Chinese owners want to learn from Laox. They want to improve their relations with suppliers and bring Japan's famed standards of service to China, referring to Luo Yiwen Laox' new boss. Before the acquisition Laox's share price had fallen as low as \$0.11; it now trades at around \$1.

Many Japanese are uneasy working for Chinese (much as Americans disliked working for Japanese carmakers in the 1980s). When Honma, a high end golf club maker, was acquired by China's Marlion Holdings in March, the staff were very shocked. But the firm, whose clubs are handmade and individually numbered, had recently been in bankruptcy. People are just happy to have jobs. Honma's sales are expected to boom as the new owner tempts China's newly-rich golfers with its posh clubs. But recruiting new workers for its factory in Sakata will be a problem: people would rather work for a completely Japanese firm.

In some cases, differences in business culture make the tie-ups unstable. In 2003 companies from China and Taiwan along with a Japanese partner, paid Y1.2 billion for a struggling producer of color filters for LCD panels. But the new company, Japan Optical Display Technology, was shuttered after four years because of clashes. The Chinese owners were reluctant to pay for environmental compliance. Moreover they tolerated manufacturing defects that the Japanese partner was unwilling to ignore. The former boss Asamu Mizoguchi explains: "The philosophies on quality were too different."

Despite the difficulties, investors assume such deals will continue to proliferate. The expected appreciation of the Yuan will fuel foreign deals by making them relatively cheaper (just as a strong yen did in Japan's heyday in the 1980s). The fear of being bought, in turn, may be galvanizing Japanese firms. Japanese businessmen are familiar with the concept of *gaiatsu*, or "foreign pressure" to change. But these days the pressure is coming as much from Chinese firms as from the Western ones to which the phrase has most commonly been applied.

COMPREHENSION

I. Which companies have been mentioned in the article?

II. True or false?

1. Ogihara created much publicity around its transaction with BD a Chinese car maker.
2. The volume of Sino-Japanese mergers and acquisitions are not increasing because of the two countries' uneasy relations.
3. Chinese firms are attracted by Japanese booming market.
4. The Laox's share price soared enormously after the acquisition.
5. Many Japanese employees would rather work for a completely Chinese firm.
6. Chinese and Japanese companies have similar business philosophies.

III. Answer the following questions.

1. What firms do the abovementioned deals involve?
2. Why is Japanese market unattractive for global business?
3. Why do Chinese find it tempting to acquire small firms in Japan?

4. How many outlets is Laox's expecting to open in China in the next three years?
5. What do the Chinese owners want to learn from Laox?

IV. What do these numbers refer to?

A few million dollars, 110, \$ 0.11, \$ 11, ¥ 1.2, 3 years, 51%.
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FOLLOW-UP ACTIVITY

What recent mergers and acquisitions have taken place in Belarus? Discuss their pros and cons. Try to predict the outcomes for newly created companies, back up your point of view.

ADDITIONAL TEXTS FOR READING

Text 1

MERGERS AND ACQUISITIONS

Terms like "dawn raid", "poison pill", and "shark repellent" might seem like they belong in James Bond movies, but there's nothing fictional about them - they are part of the world of mergers and acquisitions (M&A). Owning stock in a company means you are part owner, and as we see more and more sector-wide consolidation, mergers and acquisitions are the resultant proceedings. So it is important to know what these terms mean for your holdings.

Mergers, acquisitions and takeovers have been a part of the business world for centuries. In today's dynamic economic environment, companies are often faced with decisions concerning these actions - after all, the job of management is to maximize shareholder value. Through mergers and acquisitions, a company can (at least in theory) develop a competitive advantage and ultimately increase shareholder value.

There are several ways that two or more companies can combine their efforts. They can partner on a project, mutually agree to join forces and merge, or one company can outright acquire another company, taking over all its operations, including its holdings and debt, and sometimes replacing management with their own representatives. It's this last case of dramatic unfriendly takeovers that is the source of much of M&A's colorful vocabulary.

Hostile Takeover

This is an unfriendly takeover attempt by a company or raider that is strongly resisted by the management and the board of directors of the target firm. These types of takeovers are usually bad news, affecting employee morale at the targeted firm, which can quickly turn to animosity against the acquiring firm. Grumbings like, "Did you hear they are axing a few dozen people in our finance department..." can be heard by the water cooler. While there are examples of hostile takeovers working, they are generally tougher to pull off than a friendly merger.

Dawn Raid

This is a corporate action more common in the United Kingdom; however it has also occurred in the United States. During a dawn raid, a firm or investor aims to buy a substantial holding in the takeover-target company's equity by instructing brokers to buy the shares as soon

as the stock markets open. By getting the brokers to conduct the buying of shares in the target company (the “victim”), the acquirer (the “predator”) masks its identity and thus its intent.

The acquirer then builds up a substantial stake in its target at the current stock market price. Because this is done early in the morning, the target firm usually doesn't get informed about the purchases until it is too late, and the acquirer now has controlling interest. In the U.K., there are now restrictions on this practice.

Saturday Night Special

A Saturday night special is a sudden attempt by one company to take over another by making a public tender offer. The name comes from the fact that these maneuvers used to be done over the weekends. This too has been restricted by the Williams Act in the U.S., whereby acquisitions of 5% or more of equity must be disclosed to the Securities Exchange Commission.

Takeovers are announced practically every day, but announcing them doesn't necessarily mean everything will go ahead as planned. In many cases the target company does not want to be taken over. What does this mean for investors? Everything! There are many strategies that management can use during M&A activity, and almost all of these strategies are aimed at affecting the value of the target's stock in some way. Let's take a look at some more popular ways that companies can protect themselves from a predator. These are all types of what is referred to as "shark repellent".

Golden Parachute

A golden parachute measure discourages an unwanted takeover by offering lucrative benefits to the current top executives, who may lose their job if their company is taken over by another firm. Benefits written into the executives' contracts include items such as stock options, bonuses, liberal severance pay and so on. Golden parachutes can be worth millions of dollars and can cost the acquiring firm a lot of money and therefore act as a strong deterrent to proceeding with their takeover bid.

Greenmail

A spin-off of the term "blackmail", greenmail occurs when a large block of stock is held by an unfriendly company or raider, who then forces the target company to repurchase the stock at a substantial premium to destroy any takeover attempt. This is also known as a "bon voyage bonus" or a "goodbye kiss".

Macaroni Defense

This is a tactic by which the target company issues a large number of bonds that come with the guarantee that they will be redeemed at a higher price if the company is taken over. Why is it called macaroni defense? Because if a company is in danger, the redemption price of the bonds expands, kind of like macaroni in a pot! This is a highly useful tactic, but the target company must be careful it doesn't issue so much debt that it cannot make the interest payments.

Takeover-target companies can also use leveraged recapitalization to make themselves less attractive to the bidding firm.

People Pill

Here, management threatens that in the event of a takeover, the management team will resign at the same time en masse. This is especially useful if they are a good management team; losing them could seriously harm the company and make the bidder think twice. On the other hand, hostile takeovers often result in the management being fired anyway, so the effectiveness of a people pill defense really depends on the situation.

Poison Pill

With this strategy, the target company aims at making its own stock less attractive to the acquirer. There are two types of poison pills. The 'flip-in' poison pill allows existing shareholders (except the bidding company) to buy more shares at a discount. This type of poison pill is usually written into the company's shareholder-rights plan. (To learn more about these and other shareholders' rights, see *Knowing Your Rights as a Shareholder*.) The goal of the flip-in poison pill is to dilute the shares held by the bidder and make the takeover bid more difficult and expensive.

The 'flip-over' poison pill allows stockholders to buy the acquirer's shares at a discounted price in the event of a merger. If investors fail to take part in the poison pill by purchasing stock at the discounted price, the outstanding shares will not be diluted enough to ward off a takeover.

An extreme version of the poison pill is the "suicide pill" whereby the takeover-target company may take action that may lead to its ultimate destruction.

Sandbag

With the sandbag tactic the target company stalls with the hope that another, more favorable company (like "a white knight") will make a takeover attempt. If management sandbags too long, however, they may be getting distracted from their responsibilities of running the company.

White Knight

A white knight is a company (the "good guy") that gallops in to make a friendly takeover offer to a target company that is facing a hostile takeover from another party (a "black knight"). The white knight offers the target firm a way out with a friendly takeover. (To learn more about white, gray, yellow and black knights, see *Bloodletting and Knights: A Medieval Guide to Investing*.)

Conclusion

The next time you read a news release that says that your company is using a poison pill to ward off a takeover attempt, you'll now know what it means. More importantly, you'll know that you have the opportunity to purchase more shares at a cheap price. M&A has an entire vocabulary of its own, expressed through some of the rather creative strategies employed in the process, such as the ones we've touched on above. Hopefully by reading this article you are at least a bit wiser in the wacky world of M&A terminology. By understanding what is happening to your holdings during a takeover or attempted takeover, you may one day even save money.

(Investopedia)

Text 2

A FOOT IN THE DOOR

The beginnings of a potentially huge market

DEPENDING on how you look at it, China either has a gigantic market for mergers and acquisitions or virtually none at all. It is gigantic insofar as Beijing is reorganizing every big industry—from aviation to telecoms—by splitting up former state monopolies and creating new companies. The asset transfers involved are enormous. But there is usually no cash changing hands, no valuation of the assets transferred, and ultimately no change of control since the state is simply rejigging its holdings. Nor have foreigners been allowed to take over whole companies.

China's party cadres are eager to get foreign capital and technology, but not at all eager to give up control. So they have, so far, let foreign investors buy only stakes in joint ventures with Chinese partners.

Hence the excitement among western investment banks over two recent deals that appear to signal the beginnings of a proper market for mergers and acquisitions. In one, Emerson, an American electronics company, bought 100% of a division of Huawei, a privately-run telecoms-equipment maker that is considered one of China's best companies. In the other deal, Alcatel of France increased its stake in a joint venture with a state-owned enterprise in Shanghai, thereby gaining control. Both deals were modest—less than \$1 billion—but they are the first two foreign takeovers of Chinese companies.

To do them required clarifying reams of legal ambiguities. With luck, they have set valuable precedents for future deals. Harry van Dyke, a banker at Morgan Stanley, an investment bank that advised in both takeovers, says that the main complication had nothing to do with the deals' economics, but concerned winning approval from the various branches of government, which took months.

Doing deals in China will remain difficult for some time. As Emerson and Huawei entered into negotiations, China's securities regulator began drafting a takeover code of sorts and asked foreign law firms and banks for their comments. But Beijing has since dropped plans for a code.

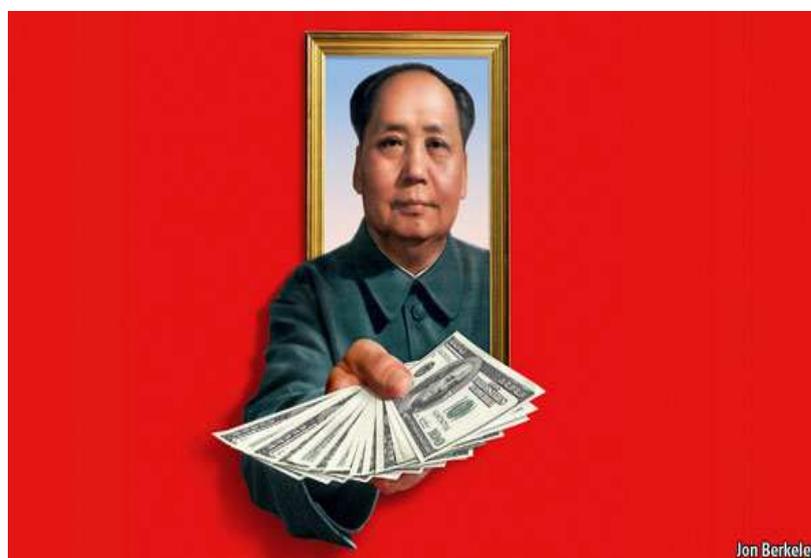
Still, the likes of Morgan Stanley smell blood. China already dominates the Asian market for initial public share offerings, thanks to listings of its giant state-owned enterprises. Before long, the bankers are hoping, it will match that with a flow of merger deals.

(Mar 14th 2002 | Hong Kong | from the print edition)

Text 3

CHINESE ACQUISITIONS

CHINA BUYS UP THE WORLD And the world should stay open for business



IN THEORY, the ownership of a business in a capitalist economy is irrelevant. In practice, it is often controversial. From Japanese firms' wave of purchases in America in the 1980s and Vodafone's takeover of Germany's Mannesmann in 2000 to the more recent antics of private-equity firms, acquisitions have often prompted bouts of national angst.

Such concerns are likely to intensify over the next few years, for China's state-owned firms are on a shopping spree. Chinese buyers—mostly opaque, often run by the Communist Party and sometimes driven by politics as well as profit—have accounted for a tenth of cross-border deals by value this year, bidding for everything from American gas and Brazilian electricity grids to a Swedish car company, Volvo.

There is, understandably, rising opposition to this trend. The notion that capitalists should allow communists to buy their companies is, some argue, taking economic liberalism to an absurd extreme. But that is just what they should do, for the spread of Chinese capital should bring benefits to its recipients, and the world as a whole.

Why China is different

Not so long ago, government-controlled companies were regarded as half-formed creatures destined for full privatization. But a combination of factors—huge savings in the emerging world, oil wealth and a loss of confidence in the free-market model—has led to a resurgence of state capitalism. About a fifth of global stockmarket value now sits in such firms, more than twice the level ten years ago.

The rich world has tolerated the rise of mercantilist economies before: think of South Korea's state-led development or Singapore's state-controlled firms, which are active acquirers abroad. Yet China is different. It is already the world's second-biggest economy, and in time is likely to overtake America. Its firms are giants that until now have been inward-looking but are starting to use their vast resources abroad.

Chinese firms own just 6% of global investment in international business. Historically, top dogs have had a far bigger share than that. Both Britain and America peaked with a share of about 50%, in 1914 and 1967 respectively. China's natural rise could be turbocharged by its vast pool of savings. Today this is largely invested in rich countries' government bonds; tomorrow it could be used to buy companies and protect China against rich countries' devaluations and possible defaults.

Chinese firms are going global for the usual reasons: to acquire raw materials, get technical know-how and gain access to foreign markets. But they are under the guidance of a state that many countries consider a strategic competitor, not an ally. As our briefing explains (see article), it often appoints executives, directs deals and finances them through state banks. Once bought, natural-resource firms can become captive suppliers of the Middle Kingdom. Some believe China Inc can be more sinister than that: for example, America thinks that Chinese telecoms-equipment firms pose a threat to its national security.

Private companies have played a big part in delivering the benefits of globalization. They span the planet, allocating resources as they see fit and competing to win customers. The idea that an opaque government might come to dominate global capitalism is unappealing. Resources would be allocated by officials, not the market. Politics, not profit, might drive decisions. Such concerns are being voiced with increasing favor. Australia and Canada, once open markets for

takeovers, are creating hurdles for China's state-backed firms, particularly in natural resources, and it is easy to see other countries becoming less welcoming too.

That would be a mistake. China is miles away from posing this kind of threat: most of its firms are only just finding their feet abroad. Even in natural resources, where it has been most active in deal making, it is not close to controlling enough supply to rig the market for most commodities.

Nor is China's system as monolithic as foreigners often assume. State companies compete at home and their decision-making is consensual rather than dictatorial. When abroad they may have mixed motives, and some sectors – defence and strategic infrastructure, for instance – are too sensitive to allow them in. But such areas are relatively few.

What if Chinese state-owned companies run their acquisitions for politics, not profit? So long as other firms could satisfy consumers' needs, it would not matter. Chinese companies could safely be allowed to own energy firms, for instance, in a competitive market where customers could turn to other suppliers. And if Chinese firms throw subsidized capital around the world, that's fine. America and Europe could use the money. The danger that cheap Chinese capital might undermine rivals can be better dealt with by beefing up competition law than by keeping investment out.

Not all Chinese companies are state-directed. Some are largely independent and mainly interested in profits. Often these firms are making the running abroad. Take Volvo's new owner, Geely. Volvo should now be able to sell more cars in China; without the deal its future was bleak.

Show a little confidence

Chinese firms can bring new energy and capital to flagging companies around the world; but influence will not just flow one way. To succeed abroad, Chinese companies will have to adapt. That means hiring local managers, investing in local research and placating local concerns – for example by listing subsidiaries locally. Indian and Brazilian firms have an advantage abroad thanks to their private-sector DNA and more open cultures. That has not been lost on Chinese managers.

China's advance may bring benefits beyond the narrowly commercial. As it invests in the global economy, so its interests will become increasingly aligned with the rest of the world's; and as that happens its enthusiasm for international co-operation may grow. To reject China's advances would thus be a disservice to future generations, as well as a deeply pessimistic statement about capitalism's confidence in itself.

(The Economist Nov 11th 2010 | from the print edition)

UNIT 12



CRISIS MANAGEMENT



BUSINESS.VIEW: SLICKER IMAGE-MAKING **BP and its oil leak**

PRE-READING TASK

- I. Can you name any recent business fiascos when companies failed to save both their reputations and brands? Which industries have been more prone to crises than others recently? Airlines, software designers, tobacco or oil companies?
- II. What do you know about BP and its oil leak in the Gulf of Mexico?
- III. What should the company do next? How could it save both its reputation and its brand?



“WHY is anyone surprised that BP hired us for advice? We’re certainly the experts on liability reduction, fiascos, and amazing PR”, tweeted Fake Lucas Van Praag, who impersonates the public-relations chief of Goldman Sachs on Twitter. This was inspired by reports that the investment bank, perhaps along with Blackstone, a private-equity firm, had been hired to advise BP on how to avoid becoming a takeover target while its share price is sicker than a sea turtle in an oil slick. (“Adopt a BP oil plume! \$25 makes you 100% responsible for an oil plume and a ‘bpcares’ shirt!” urged the equally fake BPGlobalPR a few hours earlier.)

The services of the likes of Goldman's and Blackstone do not come cheap. So rather than squander its increasingly scarce shareholder funds, BP's boss should instead follow our tips for crisis management, gleaned from some of America's top chief executives and public-relations gurus, which we offer freely in a spirit of public service:

1) Don't get a life Tony Hayward, BP's chief executive, has probably figured this out for himself judging by the universal hostility to his comment that "I'd like my life back". When you are responsible for the firm that has caused America's worst environmental disaster, your life is no longer your own, and wishing it were otherwise will only further antagonize the public. So what if the comment was an attempt to empathize with others whose lives have been disrupted by the oil spill; when you are the most hated man in America, no one wants your empathy.

2) Don't joke. Here's some advice Goldman Sachs could give you, but probably wouldn't. When Lloyd Blankfein, the investment bank's chief executive, said he was "doing God's work", it was said tongue-in-cheek, not, as it would have been easy to conclude from the press reports, as a serious theological observation. In a crisis, chances are that CEO humor will get lost on the way to the front page. But the bottom line, Mr. Hayward: whatever else you do, resist the urge to quip "oil's well that ends well."

3) Fly commercial; better still, walk...no, crawl. When the bosses of the small carmakers formerly known as the Big Three went to Congress to ask for taxpayer dollars to bail out their failing firms, they each flew in their private corporate jets, thereby confirming the public's worst suspicions about their incompetence and lack of comprehension of the austerity being suffered by their customers. In a similar spirit, when Mr. Hayward goes to testify before Congress on June 17th he should ideally arrive on foot—or failing that, in an energy-efficient Prius rather than a gas-guzzling SUV.

4) Don't make big profits – or if you do, give them away rather than pay large bonuses to yourself and your staff. It was the profits that Goldman Sachs announced in early 2009, and the huge bonuses it paid out, that helped earn the investment bank the nickname "vampire squid" and made Mr Blankfein a hate figure. If only Goldman Sachs had made losses instead of profits, Mr Blankfein would have been pitied and then ignored, like Citigroup's boss, Vikram Pandit. If Goldman had at least given away most of the profits, he might have been forgiven his joke. At the very least, he could have forsworn his bonus. If he had done so, he might have got lucky like Howard Schultz, the boss of Starbucks, who waived his bonus—only for his board to insist on paying him one anyway.

5) Become Warren Buffett. Only the Sage of Omaha could be cheered for calling derivatives "financial weapons of mass destruction" despite issuing some of the most exotic derivatives ever created and then campaigning to exempt them from the new regulatory regime being introduced by Congress. Only Mr. Buffett could get away with defending Moody's against congressional accusations over the rating agencies' complicity in the financial crisis, when he had been a big shareholder in Moody's at the time, and retain his reputation as a straight-shooter. No doubt BP will have to change its name as part of its post-spill damage-limitation rebranding, but maybe Mr. Hayward should change his name too.

6) Quit while you are ahead. We have no reason to think that Tesco will soon be plunged into a crisis, but if it is, the plaudits heaped on Terry Leahy, its chief executive, on June 8th, when he announced his impending retirement, will provide further evidence of the wisdom of getting out before disaster strikes. Imagine how much better Mr. Blankfein's public image would be if he had retired at the end of 2008. How Mr. Hayward must wish that he had retired on

March 17th, one month before the oil spill, rather than merely selling one-third of his BP shares — worth around \$1.2m then, but about half as much now.

7) Pray that a worse disaster strikes someone else. “Every day, Lloyd Blankfein must get down on his knees and thank God for the BP oil spill,” says one noted PR expert privately. (Maybe the spill is proof that Mr. Blankfein is doing God’s work after all, then?) Being America’s most-hated boss seems to be a temporary position, the crown passing to a new troubled head each time a fresh disaster strikes. As Fake Lucas Van Praag tweeted the other day, “Even though Goldman maybe had non-consensual relations with the economy, it’s not as bad as despoiling an entire coastline, right?” If it suddenly turns out that iPads are rotting their users’ brains, we will know whose prayers have been answered.

(Jun 15th 2010, 17:53 by The Economist online)

COMPREHENSION

I. Explain what these expressions from the article mean in your own words.

- ◇ slicker image-making
- ◇ it was said tongue-in-cheek
- ◇ a straight-shooter.
- ◇ iPads are rotting their users’ brains
- ◇ to empathize with others
- ◇ the bottom line
- ◇ austerity
- ◇ gas-guzzling
- ◇ waived his bonus
- ◇ complicity in the financial crisis
- ◇ non-consensual relations with the economy

II. Match the names of some of America’s top chief executives with the companies, mentioned in the article.

- | | |
|--------------------|------------------|
| 1. Tony Hayward | a. Tesco |
| 2. Lloyd Blankfein | b. BP |
| 3. Vikram Pandit | c. Goldman Sachs |
| 4. Howard Schultz | d. Citigroup |
| 5. Terry Leahy | e. Starbucks |

III. Look through the whole article and number the tips.

	Respect the austerity being suffered by your customers.
	Don’t forget about CSR.
	Get out before disaster strikes.

	Get down on your knees and ask God to pass the crown to a new troubled head each time a fresh disaster strikes.
	Rebranding may save your own and your company's face.
	Never empathize with others whose lives have been disrupted by your company's fiasco.
	Whatever else you do, resist the urge to quip publicly.

IV. Answer the following questions.

1. Can you comment on the title of the article? Does sarcasm help keep you from telling people what you really think of them?
2. What we learn from a crisis is that we fail to learn from any crisis. Do you agree with this statement?

FOLLOW-UP ACTIVITY

Crises are commonplace. Some experts identify four categories and admit that over 60% of them fall into the last category (management decisions):

- Acts of God (storms, earthquakes, etc).
- Mechanical problems (metal fatigue, etc).
- Human errors (the wrong valve opened, miscommunication, etc).
- Management decisions/indecision (underestimating a problem, assuming nobody will find out).

1. Can you extend their list?
2. Is it possible to anticipate a coming crisis? What should a company do to be proactive and prepared for crises?
3. How can writing business scenarios help to remember the future when it comes?
4. What would be your course of action in such a situation? Can you give some tips for efficient crisis management?

Write a business scenario for a risky industry and offer your crisis management plan.

ADDITIONAL TEXTS FOR READING

Text 1

THE CASE FOR THE DEFENCE

BP casts the blame for the Gulf oil spill widely



No doubt at all about the outcome

THE dramatic case study in corporate crisis-management acquired another chapter on September 8th. BP's report on the causes of the accident that led to the loss of the Deepwater Horizon rig and the biggest oil spill in American history describes a litany of mistakes. Had this sequence of errors been halted, catastrophe might have been averted. Some of those mistakes, the report concludes, were BP's. But its finger also points at Halliburton, which worked on the cement seal at the bottom of the well, and Transocean, which owned and ran the rig and maintained the "blowout preventer" which so signally failed to live up to its name.

The stakes are high. If BP is found to have been grossly negligent in its role as operator the fines it faces would increase by billions of dollars and its chances of recouping money from its junior partners in the project, Anadarko and Mitsui, would be reduced. BP's report implies such a finding is unlikely. But it makes a protracted, reputation-damaging series of suits and countersuits between the companies involved seem almost inevitable.

BP's investigators say the tragedy unfolded in four acts, each containing several errors. In the first, hydrocarbons penetrated the well. In the second, people failed to spot that oil and gas had got in and were rising rapidly. In the third the rig was wrecked by explosions. Finally, the blowout preventer failed to cut off the flow of oil as the rig toppled and its connection to the well below broke open.

In the first act, the report claims that Halliburton supplied a cement slurry of its own devising which it should have recognized was not fit for purpose. Subsequent testing showed that the cement such a slurry produced would have been likely to break down. BP's well team, the report goes on, failed to appreciate the difficulties of the cementing, to assess the risks and to make sure it knew what was going on. The team then failed to run a test to establish that the cement seal was adequate.

In the second and third acts, after the hydrocarbons had got through valves at the bottom of the well, the focus shifts to Transocean. When the heavy drilling mud that provides the pressure needed to keep things from coming up the well was removed, first as a test, then as part of a procedure for closing down the well and moving the rig, telltale signs that something was wrong were missed. When the oil and gas reached the rig, they were diverted not overboard, as might have been wiser, but to a system called the mud-gas separator which spewed gas back onto the rig.

Then there was the blowout preventer, a huge stack of valves on the sea floor. It failed to close off the flow when activated just before the explosion. Nor did it shut off the flow when its

connections to the rig were lost, as it should have. Nor when a remotely operated vehicle activated it later. Studies of the blowout preventer's two control pods suggest that a flattish battery and a dodgy valve meant that neither was in a fit state to close off the well automatically when they should have, which BP takes as evidence of poor maintenance by Transocean.

Halliburton quickly pointed to "substantial omissions and inaccuracies" in the report. Transocean, too, rejected it as self-serving and pointed to flaws in the well's design, as well as to BP's management of the project. The BP report concludes that the most criticised well-design choice, known as a long string, was a reasonable one and did not lead to the failure. Other reports from Transocean and the various boards of investigation may differ, as may outcomes in the courts and in Congress.

(The Economist Sep 9th 2010)

Text 2

CRISIS MANAGEMENT

The Institute for Crisis Management (ICM), an American consulting firm that specializes in developing communications strategies for crisis-struck businesses, defines a crisis as "a significant business disruption which stimulates extensive news media coverage. The resulting public scrutiny will affect the organization's normal operations and also could have a political, legal, financial and governmental impact on its business".

There are several elements to good crisis management by ICM:

- **Be well prepared in advance.** Potential members of a crisis management "team" should rehearse how they would manage the impact of an incident. It is a bit like learning the safety instructions on a plane before take-off: you hope you will never need them, but you know it would be unwise to miss the lesson. The team should include the chief executive and a representative of the press office. Thereafter, all external enquiries relating to a crisis should be answered by the team.

- **Move fast.** It is the first few hours that count, the period when news of the crisis first breaks. One of the most difficult things is handling the ambiguity in those first hours and days. There are sure to be gaps and inconsistencies in the information available.

- **Get outside help and advice.** Because a crisis is often brought on by employees of the firm, it can be difficult for insiders to view the issue objectively.

- **Be honest.** Accurate and correct information is crucial. Misinformation invariably backfires. But if a company has a naturally secretive culture this is a difficult policy to pursue.

- **Look to the long term.** Do not seek just to contain short-term losses. A contaminated product may require the withdrawal of massive stocks to reassure customers over the longer term that the product is safe for consumption.

COLIN ONG ABOUT CRISIS MANAGEMENT

Colin Ong TS is the Managing Director of MR=MC Consulting

Is It A Crisis In The First Place?:

This question is important to ask, as there are many situations that go wrong because the right person to handle it is not around. You may be in charge of a project until your supervisor comes back and are unable to contact him during a crisis. You have to make your own decisions in his absence and your action is dependent on the level of authority given.

The Big Picture:

It is not easy to handle a crisis if you are not aware of all the facts. If your role is a leader, you have to be detached from the emotional side of the crisis and rationally take stock of how to move on. Again, this is not as easy as it sounds as you may have long-time colleagues who are involved in this crisis.

The Relevant Team:

It is important to be able to meet up with the relevant team to discuss about the situation. This is to ensure that the team is able to analyze and make a united stand about handling this crisis. This team should also comprise of the authorities, if the crisis is serious.

The Timeline:

You must construct a timeline and ensure that each process scenario is highlighted. This practice will be a check to prevent your team from spending too much time in one aspect of handling the crisis.

Procedural Manual:

Is there an organizational situational manual that you can use for this situation? Are you able to recollect the tips that were given to you when you participated in a mock drill?

External Experts:

You should get external experts to assess the situation if the crisis is totally unanticipated. However, you must have had a close-door meeting with your inner circle. This is essential, as you do not want to unnecessarily reveal confidential information to external parties.

Speaking To The Media:

It is important to prepare a press kit-which provides a full detailed report about the crisis. If you are comfortable to conduct a press interview, you have to ensure that you have the full details first.

Your Communication Style:

You have to ensure that your communication style is in sync with the crisis. Remember to be forthcoming with reliable information and try not to speculate. This will also ensure that the victims' immediate families do not overly worry. It will also not help if you come across as very emotional in the media as you want to communicate that your organization has everything under control.

Beyond Your Control:

If the crisis involves the loss of lives, it is not unthinkable that your credibility and organisation's reputation is put into question. Assuming that the crisis was beyond your organisation's control, you have to stick to your best judgement and not be led into a debate that may open your organisation to possible legal action.

(*Previously published at ArticleCity.com colin@mrmc.com.sg d items

THE TEN STEPS OF CRISIS COMMUNICATIONS

By Jonathan Bernstein

Crisis: Any situation that is threatening or could threaten to harm people or property, seriously interrupt business, damage reputation or negatively impact share value.

Every organization is vulnerable to crises. The days of playing ostrich are gone. You can play, but your stakeholders will not understand or forgive. If you don't prepare, you WILL take more damage. And when I look at existing "crisis management" plans while conducting a "crisis document audit," what I often find is a failure to address the many communications issues related to crisis/disaster response. Organizations do not understand that, without adequate communications operational response will break down stakeholders (internal and external) will not know what is happening and quickly be confused, angry, and negatively reactive. The organization will be perceived as inept, at best, and criminally negligent, at worst.

The basic steps of effective crisis communications are not difficult, but they require advance work in order to minimize damage. The slower the response, the more damage is incurred. So if you're serious about crisis preparedness and response, read and implement these 10 steps of crisis communications, the first seven of which can and should be undertaken before any crisis occurs.

The 10 Steps of Crisis Communications

1. Identify Your Crisis Communications Team

A small team of senior executives should be identified to serve as your organization's Crisis Communications Team. Ideally, the team will be led by the organization's CEO, with the firm's top public relations executive and legal counsel as his or her chief advisers. If your in-house PR executive does not have sufficient crisis communications expertise, he or she may choose to retain an agency or independent consultant with that specialty. Other team members should be the heads of major organization divisions, to include finance, personnel and operations.

2. Identify Spokespersons

Within each team, there should be individuals who are the only ones authorized to speak for the organization in times of crisis. The CEO should be one of those spokespersons, but not necessarily the primary spokesperson. The fact is that some chief executives are brilliant business people but not very effective in-person communicators. The decision about who should speak is made after a crisis breaks — but the pool of potential spokespersons should be identified and trained in advance but not "under fire."

3. Spokesperson Training

All stakeholders — internal and external — are just as capable of misunderstanding or misinterpreting information about your organization as the media, and it's your responsibility to minimize the chance of that happening. Spokesperson training teaches you to be prepared, to be ready to respond in a way that optimizes the response of all stakeholders.

4. Establish Notification Systems

It is absolutely essential, pre-crisis, to establish notification systems that will allow you to rapidly reach your stakeholders using multiple modalities. If you use more than one modality to reach your stakeholders, the chances are much greater that the message will go through. For a long time, those of us in crisis management relied on the old-fashioned "phone tree" and teams of callers to track people down. But today there is technology that you can trigger with a single call or email — offered by multiple vendors and also available for purchase — that can be set up to automatically start contacting all stakeholders in your pre-established database and keep trying to reach them until they confirm that the message has been received.

5. Identify and Know Your Stakeholders

Who are the internal and external stakeholders that matter to your organization? I consider employees to be your most important audience, because every employee is a PR representative and crisis manager for your organization whether you want them to be or not! But, ultimately, all stakeholders will be talking about you to others not on your contact list, so it's up to you to ensure that they receive the messages you would like them to repeat elsewhere.

6. Anticipate Crises

If you're being proactive and preparing for crises, gather your Crisis Communications Team for long brainstorming sessions on all the potential crises which can occur at your organization. There are at least two immediate benefits to this exercise: You may realize that some of the situations are preventable by simply modifying existing methods of operation. You can begin to think about possible responses, about best case/worst case scenarios, etc. Better now than when under the pressure of an actual crisis. In some cases, of course, you know that a crisis will occur because you're planning to create it — e.g., to lay off employees, or to make a major acquisition. Then, you can proceed with steps 8-10 below, even before the crisis occurs.

7. Develop Holding Statements

While full message development must await the outbreak of an actual crisis, "holding statements" — messages designed for use immediately after a crisis breaks — can be developed in advance to be used for a wide variety of scenarios to which the organization is perceived to be vulnerable, based on the assessment you conducted in Step 6 of this process. An example of holding statements by a hotel chain with properties hit by a natural disaster — before the organization headquarters has any hard factual information — might be: "We have implemented our crisis response plan, which places the highest priority on the health and safety of our guests and staff." "Our hearts and minds are with those who are in harm's way, and we hope that they are well." "We will be supplying additional information when it is available and posting it on our website." The organization's Crisis Communications Team should regularly review holding statements to determine if they require revision and/or whether statements for other scenarios should be developed.

8. Assess the Crisis Situation

Reacting without adequate information is a classic "shoot first and ask questions afterwards" situation in which you could be the primary victim. Assessing the crisis situation is, therefore, the first crisis communications step you can't take in advance. But if you haven't prepared in advance, your reaction will be delayed by the time it takes your in-house staff or quickly-hired consultants to run through steps 1 to 7. Furthermore, a hastily created crisis communications strategy and team are never as efficient as those planned and rehearsed in advance.

9. Identify Key Messages

With holding statements available as a starting point, the Crisis Communications Team must continue developing the crisis-specific messages required for any given situation. The team already knows, categorically, what type of information its stakeholders are looking for. What should those stakeholders know about this crisis? Keep it simple — have no more than three main messages for all stakeholders and, as necessary, some audience-specific messages for individual groups of stakeholders.

10. Riding Out the Storm

No matter what the nature of a crisis...no matter whether it's good news or bad...no matter how carefully you've prepared and responded...some of your stakeholders are not going to react the way you want them to. This can be immensely frustrating. What do you do? Take a deep breath. Take an objective look at the reaction(s) in question. Is it your fault, or their unique interpretation? Decide if another communication to those stakeholders is likely to change their impression for the better. Decide if another communication to those stakeholders could make the

situation worse. If, after considering these factors, you think it's still worth more communication, then take your best shot!

"It Can't Happen To Me"

It is tempting for some to fantasize "it can't happen to me" or "if it happens to me, we can handle it relatively easily." Hopefully, that type of ostrich-playing is rapidly becoming a thing of the past. Yet I know that thousands of organizations hit by Hurricane Katrina will have, when all is said and done, suffered far more damage than would have occurred with a fully developed crisis communications plan in place. Even the best crisis management professional is playing catch up — with more damage occurring all the time — when the organization has no crisis communications infrastructure already in place.

The Last Word — For Now

I would like to believe that organizations worldwide are finally "getting it" about crisis preparedness, whether we're talking about crisis communications, disaster response or business continuity. Certainly client demand for advance preparation has increased dramatically in the past half-decade, at least for my consultancy. But I fear that there is, in fact, little change in what I have said in the past, that 95 percent of American organizations remain either completely unprepared or significantly under-prepared for crises. And my colleagues overseas report little better, and sometimes worse statistics. Choose to be part of the prepared minority. Your stakeholders will appreciate it!

Aug 18th 2008

Text 5

KENT JARRELL ABOUT THE BP SPILL AND SAVING BOTH ITS REPUTATION AND ITS BRAND

Kent Jarrell, senior vice president and director of litigation communications for Washington consulting firm APCO Worldwide, was more than willing to share his views on the BP spill. Jarrell spoke to The Street about the BP spill, what the company should do next and how it can still save both its reputation and its brand:

If BP came to APCO with this scenario, what would be your course of action?

Jarrell: There really are two phases of this crisis, the magnitude of which is so incredible. The first is getting your communications in order in the midst of an unfolding crisis where you don't know what's going to happen next. I've heard from reporters that some of them are very dissatisfied with how BP is communicating with them -- some said it was like amateur hour. What they need to do is have a crisis-communication operation set up now, which is easier said than done. Their media demands are incredible and everybody wants to get out there .

The media has determined this is the story, so you're getting hundreds of demands from reporters instantly and you have to set up an infrastructure around that. The infrastructure has to be accurate up to the minute, because any time BP slips a bit, they're going to get criticized. During a BP news conference late last week, they said the operation was still continuing even when it was stopped the night before. You'll get crucified for that because the media is a filter and the media makes judgments. If your information isn't holding up and isn't prompt and accurate, they don't trust you and that will very quickly move into the copy and turn that filter against you.

Secondarily, they ought to have a second communications group that is not working on the day-to-day crisis. What's happening now is that all the day-to-day people, every morning, wake up and put a fire hose in their mouth, and that fire hose whips them all over the place -- which is the nature of the instant response. They also need a communications strategist to sit down and look at the next phase.

What is the next phase?

Jarrell: At some point, there will be a decrease in the crisis and some sort of engineering fix for the leak. They then have to have some long-term communications strategy to save the company's reputation. Right now, they're just trying to get the leak under control, but the second that happens, they're going to face years of investigations and litigation.

You want to slowly but surely remove the controversy of the investigations from the ongoing day-to-day operations of the company. If there's any chance for this company to survive independently, they have to have that in place.

You have to have a series of marking events and you have to plan them out now, because the people who have the fire hoses in their mouths are exhausted and can't think long-term about how to bring this company back.

Looking at the Exxon Valdez case, litigation was still going on in the Supreme Court just two years ago. How do you prepare for a fight that long?

Jarrell: If you look at BP's ads today, they've said a couple of things: We'll honor all legitimate claims and we'll continue to take full responsibility for the cleanup. What's happening now is that all of the plaintiffs' lawyers -- including a guy named Danny Becnel down in Louisiana who I call "The Provocateur" -- are all hovering. A lot of these same folks were the ones that were involved in the Toyota recalls, and if they couldn't get a chunk there, they'll try to get one here.

When BP says they're going to honor all legitimate claims, the question is about punitive damages. The litigation will become a full-time business for BP, and BP and the other parties are already hiring the best lawyers in the country because they realize this litigation will be important for a couple of reasons: because of the costs and what will be said about the company for years.

At each point of the process, the BP name will come roaring back into the headlines. One, two, three, four or five years from now, you're going to have that brought back as a current thought, which is devastating to a company's credibility. They've lost all credibility.

How do you save the brand in this situation?

Jarrell: They did a pretty good job after the Texas City refinery fire [which killed 15 people in 2005] by going green and bringing in a new CEO. The problem now is that this is a catastrophic event where the government stopped holding briefings with BP. The government is now an adverse party to BP.

One of the rules of crisis communications when you're in a situation like this is that you want the government standing next to you at every press conference. That's a very important path out of your crisis. That is now gone, and the Obama administration will certainly throw BP under the bus if they deem that they have to, and that's going to happen for a long time.

Now you have the specter of a criminal investigation and every comment that BP makes is fodder for litigation. That's why you not only have to have your communications people tied into what's happening, but you have to have them tied in to the lawyers as well. You're trying to be accurate and do things that will put some sort of protection around the company's reputation.

How has BP fared at protecting itself so far?

Jarrell: If you make a mistake with what you say, that mistake is going to haunt you in court later. CEO Tony Hayward has done a terrible job of shooting from the hip on comments he's made: from calling it a modest spill early on to recently saying that the illnesses that the cleanup crews on the Gulf are suffering is food poisoning. That's going to haunt him.

All the plaintiffs' lawyers are watching all the avenues of claims they can possibly bring and the one to watch is the illnesses. They've already said that they don't know what the combination of the dispersant and oil will have on health. For a plaintiffs' lawyer, that's gold at the end of the rainbow, because that's unknown liability.

Can BP mitigate the damage at this point?

Jarrell: This is an engineering problem of unprecedented magnitude and they've got to get it stopped. Everybody's ready now and it's like the hostage crisis for Jimmy Carter. Instead of Ted Koppel every night saying it's day 45 or 102, you have the cable networks talking about the number of days and you have live footage of the spewing.

They're going to have to have a marker event. If it goes until August, they can't sit there until August and do nothing. They're going to have to change management, they're going to have to bring in outsiders, they are going to have to do something to change the equation. If they can't stop the leak, they have to do something that will at least cause people to give them the benefit of the doubt over time.

In the world I live in, the minute that you lose that benefit of the doubt, all you're going to do is get whipsawed.

(Reported by Jason Notte in Boston)

UNIT 13



MANAGING NET GENERERS



THE RYPPLLE EFFECT

A novel way to satisfy feedback junkies

PRE-READING TASK

I. The era of the rugged individual is giving way to the era of the team player. Why is the whole greater than the sum of the parts?

II. Do Net Geners have a bent for team working? Is it easy or difficult to manage feedback junkies?

Net Geners who find themselves out of a job are likely to use their own know-how to create a buzz about themselves so they can find another one. Charlotte Gardner, a 25-year-old Californian who was made redundant by a financial services firm in November, has since been using online job and social networking sites, as well as micro-blogging services such as twitter, to promote her skills to potential employers. Ms. Gardner, who is optimistic she will find another job soon, describes herself as "a glue kid" - someone who can get different kinds of people to work well together.

Firms battling through the recession will need plenty of "glue managers" who can persuade Net Geners to stick around and work with their colleagues on important projects. **1 ■** One defining characteristic of Generation Y is that it strives on feedback as they are used to checking their progress on leader boards when playing video games, so Net Geners want to keep close tabs on their performance at work, too. This can be a problem for managers who may be badgered weekly - even daily - for appraisal by eager young members of staff.

The creators of a new, web-based service called Rypple claim that it can satisfy Net Geners' desire for frequent assessments while easing the burden on their supervisors. **2 ■** They can then send out short questions, such as "What did you think of my presentation today?" to which their network's members can respond online. The responses are kept anonymous so that, at least in theory, employees can not tell who has made them.

Among other things, Rypple lets users ask members of their networks to measure their performance against a scale, so they can track how they are doing over time. It also lets

employers see what "tags", or overarching themes, are being used most often in questions. If, say, creativity is key to a firm's success but there are few requests for feedback on employees' creativity then bosses can tell they have not done enough to communicate their priorities.

Daniel Debow, one of Rypple's co-founders, says the system "reverses the onus on the demand for more feedback" by getting employees to build and manage their own coaching networks. Perhaps, but by making it easier for users to solicit assessments, managers could end up spending even more time fielding requests. **3 ■**

But firms that have road-tested Rypple claim that such concerns evaporate once it is up and running. (The basic service is free, but a premium version costs \$ 2-5 per user per month.) Tony Chapman, the boss of Capital C, a Canadian marketing agency, says both young and older workers at his company have embraced the system eagerly. **4 ■**

Rypple may not be perfect, but it is certainly better than antediluvian annual or semi-annual performance reviews. At a time when results are under pressure almost everywhere, anything that helps improve employees' performance quickly can be a source of useful competitive advantage. **5 ■** Thanks to the rise of the Net Generation, services such as Rypple may well make a splash in the workplace.

COMPREHENSION

I. Find in the article definitions for the words and expressions below or explain them in your own words.

- ◇ Net Generation
- ◇ Glue kid
- ◇ to create a buzz about oneself
- ◇ to badge smb.
- ◇ tags
- ◇ make a splash in the workplace.
- ◇ Big Brotherish way

II. Five sentences have been removed from the article. Choose the most suitable one from the list (A-D) for each part (1-4) of the article. There is one extra sentence which you don't need to use.

- A. ■** The service requires employees to establish a network of trusted peers, mentors and managers whose opinions they value.
- B. ■** . He is even using it to solicit feedback from clients.
- C. ■** They will need to provide a regular feedback to young workers like never before.
- D. ■** All across America a new generation of consumers is making its presence felt.
- E. ■** And to older workers, Rypple may look like a Big Brotherish way to track what is going on in the workplace.

III. Answer the following questions.

1. What makes Net Geners feel in control of their careers?
2. Why do Net Geners strive on regular feedback?
3. What does Rypple offer to satisfy Net Geners' desire for frequent assessments?
4. How are tags used in performance assessment?
5. What negative effects are expected from Ripple system implementation?
6. How does it really work in a good work team building when it's up and running?

FOLLOW-UP ACTIVITY



Work out your own chart of characteristics necessary for successful teambuilding and teamwork

ADDITIONAL TEXTS FOR READING

Text 1

THEORY X AND Y

Mr. McGregor was able to identify two extreme management styles. He called them Theory X and Theory Y. Theory X emphasizes production or task and shows little concern for people and their needs. Theory Y is more people oriented.

Theory X is the name given to the traditional **authoritarian style of management**.

McGregor found that certain powerful assumptions about human nature and human motivation lie beneath this management style. Some of these assumptions are:

- The average human being has an inherent dislike of work and will avoid it if he or she can.
- Because of this dislike of work, most people must be coerced controlled, directed or threatened with punishment to get them to achieve company objectives.
- The average human being prefers to be directed, avoids responsibility, has relatively little ambition and wants security most of all.

These assumptions of Theory X regard the workforce as lazy and lacking responsibility. Therefore the workers need a strong leader to push them. Each leader in any organization a manager or CEO needs to be asked about these assumptions and the person who agrees with

them will be an authoritarian type of leader. His or her managerial style will be effected by these basic assumptions.

In Theory Y, McGregor presents a different set of assumptions. Theory Y appeared as a development of motivational theory by Abraham Maslow. Some of its assumptions are as follows:

- People need to spend their physical and mental energy in work; it is as natural as play or rest.
- The average human being does not dislike work by nature. Work may be a source of satisfaction and pleasure and will be performed voluntarily. But if it is a source of punishment it will be avoided.
- Punishment fear and threats are not the only motivators.
- All achievements should be awarded but the highest award is self-actualization and high self-esteem
- The average human being learns to accept responsibility.
- People can use imagination and creativity in solving organizational problems and so on.

Theory Y sees a manager as a motivator who involves people in planning and caring out their work. People are more motivated when they are involved in all stages of their work.

Theory X and Theory Y illustrate two different leadership styles.

Theory X is more concerned with production and the task at hand. People are viewed as necessary but difficult component in the production process.

Theory Y sees people as the most valuable resource. They should be treated with consideration. They should be given jobs that encourage their abilities. As a result people will be self-motivated to work hard.

Text 2

MANAGING GENERATION Y

By Kim Huggins

Generation Y is causing quite a stir in the work environment. This generation has very different expectations and preferences when it comes to employment and how they want to be managed.

Members of Gen Y were born between the years of 1982 and 2000 and are currently ages 7-26. Today they represent about 15 percent of the U.S. workforce, and by 2012, that number will increase to more than twice that size. The most technologically savvy of all generations, they possess multi-tasking skills that many of us only wish we had. They volunteer in the community, work part-time, and start their own businesses as early as age 10.

For other generations, Gen Y can be frustrating, especially when you are their manager. Here are five helpful tips for managing Gen Y that will assist with bridging the gaps.

1. Set Clear Expectations It's important to meet with your Gen Y employees and set expectations early on in the employment relationship. Many managers just assume that Gen Y is familiar with the "corporate rules." This is not necessarily true and Gen Y has different interpretations of those rules. Some important areas to clarify up front include:

Work hours - if there are standard hours that all employees are expected to work, tell them. Also, let them know if there is flexibility in the hours of work or if they can work remotely.

Dress code - company dress code should also be discussed. Gen Y is typically more casual in their dress. Don't assume that they know what business casual means. We're talking about the generation who spend a lot of their time in flip flops and yoga pants. They are not opposed to dressing a certain way; they just need to know what it is.

Use of technology - this issue is becoming more prevalent as more Gen Y's enter the workforce. This generation is great at multitasking. They can work on a term paper, engage in multiple conversations through instant messaging and surf the web at the same time. Be sure to make clear the policies around use of technology including the company computer and internet. Remember, Gen Y relies primarily on technology for communication. They will utilize the technology that is provided to them as well as their own. If you would prefer that they do not text message their friends during work hours, tell them.

2. Offer Flexibility In a recent survey conducted by our company, over 58% of Gen Y rated flexibility as extremely important or very important to them. While we realize, it is not always possible to offer flexibility, you should attempt to where you can. Gen Y is involved in many activities outside of the workplace and they value the concept of flexible working arrangements. Be willing to discuss options with your employees. This is a key area for retention purposes. If Gen Y's don't feel like they are able to balance their work and personal lives, they will find another job quickly.

3. Leverage Their Strengths Like all generations, Gen Y's have many positive attributes that they bring to the workplace. To get the most from this generation, find ways to leverage their strengths. Provide them with projects and assignments where they can add value. I recently was told a story by a manager who said that her Gen Y employee was "in 30 minutes able to electronically streamline a process that we had been doing manually for years." Gen Y's enter the workplace excited, passionate and with lots of great ideas. If you can find ways to utilize their skills and channel their energy, you will experience productive results.

4. Show Them Respect This sounds so basic but it's not. Frequently, Gen Y's complain about being treated as their "manager's child" rather than their employee. They also feel they are chastised because they are viewed as having limited experience as compared to other employees. Gen Y tends to ask a lot of questions and challenge the status quo. This generation has been coached to get involved and they participate in major family decisions. At very early ages they set up the cell phones for their parents, hook up the family computer and provide consultation on the best web sites. Resist the urge to brush them off because of their age and show them the respect that everyone deserves.

5. Com mentioned earlier, Gen Y relies heavily on technology to communicate. However, we have found through our survey data that, in the workplace 52% still prefer face to face communication with their bosses and peers. They keep in touch with literally hundreds of contacts on a daily basis. Because of the way they use technology, they often assume that this is the preferred method for everyone. Share your expectations of when you want to discuss issues face-to-face and when it's appropriate to use technology. It doesn't hurt to be proactive and establish communication guidelines early in the relationship. This will help to avoid miscommunications down the road.

Managing Gen Y doesn't have to be as difficult as some make it out to be. The key is to set clear expectations and establish open lines of communication. Follow these tips for a positive experience with your Gen Y employees. They will be the future leaders of the business world someday. Let's take the time now to foster their success.

GENERATION Y. ANOTHER CROP OF YOUYNG PEOPLE

A good coaching style of management for this unique and promising generation will make the difference between a manager's dream and an office nightmare.

By Kim Huggins

So, you finally have figured out how to manage your Generation X employees. You know all about motivating them and what makes them tick, and you have a strong work force of quality young employees. Well, don't look now, but here comes Generation Y.

Yes, Generation Y. Another crop of young people you have to figure out. Well, hey, all young people are alike, right? Not exactly.

Age is the obvious difference between the two: Generation X consists of those born between 1965 and 1980, Generation Y between 1981 and 1999. While Generation Y has just entered the workplace, Generation X has almost become old hat.

As Generation Y makes its early impact in the workplace, these new faces are definitely showing signs of being different from their immediate generational predecessors.

As you may know, research showed Generation X was a work force raised on instant gratification, technology and independence. As a group, they took very nontraditional career paths. Generation Xers lived to hear the words, "We don't have a lot of rules here" -- they tended to be individuals who value work-life balance. They also experienced ec work, waited tables and accepted jobs outside of their area of study in college.

Their economic experiences are a root of a divide between the younger generations X and Y. Gen Xers came of age during a bleak job market. A soaring national debt, the Gulf war and a lack of opportunities shaped their world view, and many were grateful for any entry level professional work or even a fast-food job. Generation Y, however, grew up in a time of economic expansion and until recently, never experienced an economic downturn. They tend to be more optimistic than Gen Xers and expect success early in their careers.

One thing they do not seem to lack is 100 percent raw, unfocused energy. Early reports of the Generation Y representatives entering the work place have given them a new nickname: the Ritalin Generation. Generation X may have introduced multitasking to the work place, but Generation Y has perfected it. Nothing seems to hold their attention very long, and they are constantly looking for new challenges, according to "Millennials Rising," a book by Neil Howe and William Strauss.

This energy also translates into a high level of enthusiasm different from Generation X's first foray into the workplace, which actually is a source of conflict between the two generations. Howe and Strauss found that more than two-thirds of all teens had a negative view of Generation X and some view Gen X to be lazy and a bunch of whiners. On the other hand, Gen X found Gen Y to have an unrealistic sense of entitlement.

This conflict between the generations and the Gen Y "sense of entitlement" may cause managers some problems. While the idea of a young work force up for any challenge sounds great, there is a flip side to Generation Y -- they come to the work place with expectations

considered laughable just 10 years ago. Many expect six-figure salaries and international travel within a year, and sometimes are reluctant to do tasks they feel are beneath them. Early signs seem to indicate the present economic slowdown has done little to curb their enthusiasm and optimism for success.

Managing Generation Y members means playing to their strengths, which includes building trust, inspiring loyalty and harnessing their energy. They need to be challenged, as many enter the "real world" work place after college with a surprising amount of professional experience. Often they overestimate their standing and abilities, and this can be a problem.

The smart managers become coaches when dealing with Generation Y. Coaching allows you to take advantage of their strengths while helping them understand their weaknesses.

Being rigorous and direct with feedback is vital, especially given Generation Y's worldbeater attitude. If they come to you wanting to tackle a huge project on their own, give them smaller goals to reach, then give them feedback and greater levels of responsibility.

Also, managers have found that Generation Y employees expect the office to adapt to them, instead of the usual expectation that new employees learn how a work place functions. At the same time, they thrive in a team-oriented environment, so motivate them by stressing how they are working with other bright, creative people.

The following tips can get the most of the Gen Y energy and avoid a management nightmare:

- Offer challenging assignments -- These people get bored quickly and thrive when they feel tested.
- Coach and mentor them -- Provide needed support and encouragement.
- Provide state-of-the-art resources -- Gen Y workers likely have better technology in their living room, and will not be shy about letting you know it.
- Provide state-of-the-art training -- Reminder, the magic is in the mix; provide online, on-the-job and classroom training.
- Offer autonomy -- Give them enough leash to help them succeed without hanging themselves.
- Be flexible -- Gen Y workers like to have a life outside of work.
- Keep up with their pace -- Fast-paced communication is key to keep their interest.
- Involve them in a partnership -- Solicit their ideas and contributions, and work with them as a team.
- So watch out -- Generation Y is not just knocking on the office door -- they're kicking it in. They're wired (and wireless), enthusiastic and high-maintenance.

Quite simply, a good coaching style of management for this unique and promising generation will make the difference between a manager's dream and an office nightmare.

(Kim Huggins is a nationally recognized trainer and speaker on the topic of Generational Differences. <http://khrsolutions.com>)

UNIT 14



THE FUTURE OF BUSINESS



WHEN TRADE PARTNERS ATTACK
China will test the WTO's dispute-settlement system.

PRE-READING TASK

I. What do you know about umpiring function of the WTO?

II. When does it impose penalties resolving international trade disputes?

III. What do you think about this opinion given by an American business analyst "The WTO, and all others who expect respectful behavior from China would do well to think twice".

§ 1. In 2009 China overtook Germany to become the world's largest exporter. Exactly half the trade disputes that were filed at the World Trade Organization (WTO) last year involved China. These facts are not unrelated. As Pascal Lamy, the WTO chief, pointed out in January, the scope for trade friction increases as countries trade more. Disputes between China and other countries are only to be expected.

§ 2. Mr. Lamy did not have to wait long for evidence to back up this claim. On February the 8th China complained to the WTO about the European Union's anti-dumping duties on Chinese-made shoes. It was followed by recent complaints by the Chinese about restrictions on its exports of steel fasteners, car tires and poultry. Having initiated just two disputes between joining the WTO in 2001 and September 2008, China has complained to the WTO another five times since then. It seems that China has moved from "learning by watching", where it mainly observed others' trade tussles, to being an active participant in formal dispute settlement.

§ 3. China's increasing propensity to bring disputes to the WTO is a part of a broader shift. Although the average number of formal disputes per year has fallen since 2001 this is principally because rich countries spend less time fighting each other. America and the EU

initiated only 27.2% of cases brought to the WTO between 2001 and 2008. Over half were initiated by developing countries.

§ 4. That emerging markets, which share of world trade is growing, feel confident enough in the dispute settlement system to use it is welcome. The question is whether the WTO's mechanisms are up to the risk of defusing rising trade tensions with China. There are grounds for confidence. Unlike dispute settlement under the previous world trade regime, countries can not simply brush away verdicts handed down by the WTO. If a country fails to comply with a ruling, the WTO can permit the complaint to hit back, for instance, by restricting its adversary's access to its own market. Crucially, even when it does give permission to strike back, the WTO limits the amount of retaliation, based on the damage caused, preventing small skirmishes over a few million dollars of trade from becoming outright trade wars. Nearly 70% of disputes are settled by negotiations, presumably to the satisfaction of both parties.

§ 5. The credible threat of WTO-authorized retaliation also deters countries from using trade barriers that are likely to be challenged. Chad Brown, a trade economist at the World Bank, has found America was less likely to slap anti-dumping duties on trading partners who were themselves big markets for American exporters. This does point to one obvious problem with the system: an aggrieved country with too small a market credibly to threaten serious retaliation against a big country has limited leverage. Even if it has cause for complaint, such a country is unlikely to file a case.

§ 6. That ought not to be a big problem for China and America or the EU, which value each other's markets. But America or the EU may still find disputes with China tricky. Countries often threaten to target their retaliation against politically-sensitive products, hoping that their manufacturers will convince their own governments to change course. But this sort of strategy may be more difficult in a dispute with undemocratic China. Exports derived from subsidiaries of American-based multinational are clearly not good targets for retaliation. American consumers will be unhappy if disputes raise the prices of cheap Chinese exports. For its part, China may not import enough consumer goods to make its threats of retaliation credible. More disputes may be inevitable; resolving them successfully is not.

COMPREHENSION

I. True or false?

1. The more countries trade the fewer frictions emerge in the WTO.
2. The EU countries are trying to impose quotas on Chinese imports of tires, fasteners? Poultry and other products.
3. The biggest number of formal disputes is initiated by rich countries.
4. Under the previous world trade regime countries could simply brush away verdicts by the WTO.
5. The WTO often allows aggrieved countries to strike back with unlimited amount of retaliation.
6. As a big country America often slaps anti-dumping duties on its trading partners.
7. America and the EU countries often target their retaliation against politically sensitive products in China to put pressure on its government.

II. What do these figures refer to?

70%, 2, 5, 27%, 2009.

III. Number the paragraph summaries in the correct order.

- A. Disputes with China are going to be tricky. □
- B. There is a new shift in merging markets' approach to the WTO. C. China has moved from "learning by watching" to active participation in formal disputes. □
- D. Trade frictions with China increase in the WTO. □
- E. The WTO's has advanced in trade dispute settlement. □
- F. Aggrieved countries with a small market have limited leverage to threaten retaliation against a big country. □

IV. Which of the queries below does the author raise in the article?

1. Can the credible threat of WTO-authorized retaliation deter countries from trade wars?
2. Is China aimed at a silent expansion in the global market of future?
3. Are the WTO mechanisms up to the risk of defusing trade tensions with China?

FOLLOW-UP ACTIVITY

Google information on trade relations between Belarus and China. Share your conclusions about gains and problems. Try to predict potential risks and ways to overcome them.

ADDITIONAL TEXTS FOR READING

Text 1

CHINA AND THE WTO

Trading blows

AS CHINA'S exports have boomed over the past decade, it has begun to raise hackles in many countries. The most visible and recent manifestation of these tensions has, of course, been the largely political wrangling between America and China over its exchange-rate policy. But over the past couple of years, China has also been targeted in many formal trade disputes taken to the World Trade Organisation (WTO). Even more recently, it has begun to strike back, complaining against other countries nearly as often as they complain against it. Between January 1, 2009 and now, for instance, China has been targeted in 5 cases at the WTO, and it has in turn complained in another 4 instances.

Given how China dominates the world's discussion of all matters trade-related, it may come as a surprise to somehow recent its visibility on the trade-dispute stage at the WTO is. China became a WTO member in December 2001. In the first four years after it joined the organisation, it barely registered on the dispute-settlement landscape. Of the 92 trade disputes taken to the WTO between its joining and the end of 2005, it was involved in just one: a case brought by America against a Chinese value-added tax.

Then, however, it begun to be targeted more and more often. It has been involved in 23 out of 76 cases filed at the WTO since 2006. But even here, there has been a shift. Until as recently as the end of 2008, the action was disproportionately about other countries dragging

China to the WTO: it was complained against 12 times in the three years to the end of 2008, but complained only once.

In 2009, however, something changed: China began to hit back. In a slow year for disputes at the WTO, it was involved in exactly half—7 out of 14—of the disputes brought to the body. And the split between target and complainant became almost even: it was targeted 4 times, and initiated 3 cases itself.

Now for the news that is prompting these ruminations: according to unconfirmed reports emanating out of Geneva, the ruling in one of the three cases China took to the WTO—its case against the EU's anti-dumping duties applied on Chinese iron or steel fasteners—has gone in China's favour. That case was only the third China ever filed at the WTO (in all, it has now complained 6 times), and if the news is confirmed, it will be China's first win. It could be appealed, of course, but it does suggest that countries which have been using anti-dumping against Chinese goods as a way of "discouraging" competition from what they perceive to be unfairly cheap goods from China, may have to think twice. That this is all happening within the framework of WTO rules is, I think, a good thing. Of course, there are also many pending cases where China is the target. It'll be interesting to see how all this plays out.

(Aug 13th 2010, The Economist LONDON)

Text 2

CHINA SEEKS WTO EXPERT PANEL

Gone are the days when China found itself on the defensive in WTO suits. The government is getting more comfortable and aggressive about launching trade disputes. That means the U.S. will find itself dragged to the WTO court more often, amid the global economic slump.

BEIJING, March 28 (UPI) -- China Monday asked the United States to implement a recent World Trade Organization finding favoring Beijing relating to certain Chinese exports.

"We hope the United States implements the WTO ruling as soon as possible for stable and sound development of Sino-U.S. economic and trade relations," the official Xinhua news agency reported, quoting a Ministry of Commerce spokesman.

The WTO finding stems from anti-dumping and countervailing duties imposed by the United States on Chinese exports of steel pipes, woven sacks and some off-road tires.

A WTO panel last year supported the U.S. action but a WTO appeals panel earlier this month handed down a ruling favorable to China. The new ruling was seen as severely restricting the rights of importing countries to take punitive actions.

"The (winning of the) case is a great victory for China in using WTO rules to protect the country's rights and will greatly boost WTO members' confidence in multilateral rules," the ministry spokesman said. America looks close to a deal with China on joining the World Trade Organisation. But a rushed, bad deal would be worse than none at all.

LITTLE has been going right between America and China of late. Claims that China stole America's nuclear secrets and tried to suborn its politicians have whipped up a wave of anti-Chinese hysteria in Washington. To compound the outrage on Capitol Hill, America's bilateral trade deficit with China in January surpassed even the huge gap with Japan. The arrival

in America on April 6th of Zhu Rongji, China's prime minister and economic supremo, seemed likely to be a disaster. But suddenly prospects for his visit look more promising. The reason is that America appears to be on the brink of agreeing to allow China into the World Trade Organisation (WTO). That would be a huge coup—so long as the deal with China is on the right terms.

China is the largest trading nation still outside the multilateral system, with trade last year worth more than \$300 billion, and until it joins, the World Trade Organization is not worthy of the name. If China were to join the WTO, that action would help to provide greater access to Chinese markets. Exporters would suffer less from uncertainty, because trade with China, based on genuine Chinese reforms, would be bound by international rules, rather than the whims of politicians in Beijing or Washington. And exporters could call on the WTO to adjudicate when they felt their rights were violated. More broadly, a deal with China would be a success for America's policy of engaging with the Middle Kingdom. Asia's biggest power would be agreeing, in trade at least, to live by the same rules as the rest of the world. In time, that could promote co-operative behaviour in other areas.

For China too, there are big benefits to joining the WTO. It would open new markets for its exporters and boost foreign investment into China, which has been flagging. It would encourage further pro-market reforms and protect against backsliding. It would protect against unilateral bullying by America. And consumers would gain from cheaper imports and greater competition. All of this would provide the basis for China's economy to revive its weakening economic growth.

There is a clear risk, however, that America and China are rushing into a deal. Charlene Barshefsky, America's embattled trade supremo, needs a success to fend off her critics and Bill Clinton badly wants something to show from Mr Zhu's visit. China is in a hurry too. It insists on joining the WTO before Taiwan, which is far better prepared. If China does not join this year, it will not get another chance for some time. The United States will soon be embroiled in the campaign for next year's presidential elections. And in 2001 the hurdle may be higher, since China would have to sign up to any new agreements that are reached as part of the WTO round due to kick off in December.

Yet precisely because China is so important, it would be a disaster if the country were to join the WTO on the wrong terms. The WTO exists to open markets through transparent multilateral rules, enforced by an impartial dispute-settlement mechanism. China's economy, on the other hand, is still largely controlled by the state. Prices are fixed, monopolies common and subsidies legion. Its laws are opaque and are often applied arbitrarily. Even if China does away with import quotas and dismantles tariff barriers, its markets will not be free in any meaningful sense. It would be right to allow China into the WTO only if it pledges to liberalise a broad range of sectors (see article) and to apply its laws in a transparent and impartial manner.

Some would retort that the important thing is to get China into the WTO. The trickiest problems, it is argued, can best be dealt with later, once it is a member. There is some truth in that view. But the WTO can do only so much. America has struggled to use multilateral trading rules to cut through the web between government and business in Japan. The WTO is ill-equipped to remove the even greater complexities in Communist China. Asking it to do so risks testing the multilateral trading system to destruction—and thanks to the dispute between America and Europe over bananas and other goods, that system already looks fragile.

China's entry into the WTO is far from a foregone conclusion. It has been trying to join the multilateral trading system since 1986. Its hopes have been disappointed many times before.

Even if Ms Barshefsky now succeeds in clinching a deal with the Chinese, Congress may not approve it. The mood on Capitol Hill is protectionist and anti-Chinese. And Republicans are loth to hand President Clinton a foreign-policy success. America's trading partners also have to strike their own deals with China, and a final agreement must be cobbled together at the WTO itself, in Geneva. Sir Leon Brittan, the EU's trade commissioner, has warned against a "sweetheart" deal between America and China. It would be a pity if this were yet another false dawn. But a bad deal would be worse than another delay.

(From the print edition | Leaders)

Text 3

CHINA AND THE WTO **Prepare for fireworks**



MOST Americans associate the World Trade Organisation with tear-gas in Seattle, and China with all manner of evils. So the battle to persuade Congress to approve of China's entry into the WTO promises to be explosive.

President Clinton has announced an "all-out" effort to win over the skeptics, and business lobbyists are making a strong pitch, too. But ranged against them is a coalition of trade unions, human-rights protesters and others who are in fighting spirit since the breakdown of last month's WTO summit in Seattle. Throw in election-year politics, and a possible flare-up in tensions between China and Taiwan, and there are all the ingredients for a debate as wrenching as that in 1992-93 over the North American Free-Trade Agreement (NAFTA) with Mexico.

Trade with China has long been controversial. Critics oppose America doing business with a communist, potentially hostile power that persecutes dissidents and religious groups. Protectionists fret that a flood of cheap Chinese imports threatens American jobs. But for businessmen China is a new Promised Land, a rapidly growing market of over a billion consumers that promises them untold bounties.

Until now, Congress has dealt with this tricky issue by making China's access to the American market conditional on an annual vote that is swayed by its human-rights record. But, once China joins the WTO, that has to go. Although America could conceivably seek a waiver from WTO rules, this would be unacceptable to China. So Congress has to grant China permanent access to the American market before it can join the WTO.

The White House's plan for getting a Yes vote has two prongs. The first is a "campaign-style" effort to convince congressmen of the economic benefits of locking in access to Chinese markets. Mr. Clinton is expected to use his state-of-the-union message on January 27th to highlight his case. The second prong is to attack Chinese human-rights abuses by other means. It is no coincidence that the administration announced that it would soon be introducing a resolution at the United Nations criticizing China's human-rights record only a day after Mr. Clinton launched the push for the WTO vote.

But opponents of the deal are ready for a fight. The AFL-CIO, America's trade-union federation, not only criticizes China's record on labor and human rights. It also argues that the deal will cost jobs, notably in the politically sensitive textile sector, which has been dying for years. And it points out that China has failed to comply with the other four trade deals it has struck with the Clinton administration. The AFL-CIO has plenty of money and muscle to support its arguments. It could decide to make the China vote a litmus test by threatening to deny campaign aid to Democrats who support the deal. And it could run television advertisements and organize a big protest march, as it did in Seattle.

The timing of the vote is still unclear. The White House wants a vote as early as possible, probably in late April, before the presidential election campaign heats up. But Republicans are talking about delaying a vote until July, before Congress's August recess, yet uncomfortably close to the party conventions.

One reason for delay is that Congress is loth to vote until the precise terms of China's WTO entry are known. That could take six months or longer, since the European Union and others have yet to agree entry terms with China, and the WTO still has to assess China's suitability for membership in other areas.

Delay would suit opponents of Chinese entry. In June, the administration has to start assessing whether China qualifies for annual renewal of its access to American markets. If the vote on permanent access gets embroiled with this, Congress could be tempted to vote for annual renewal and to delay a vote on permanent access until 2001, says Craig VanGrasstek, who keeps a sharp eye on the politics of trade. Republicans could thus deny President Clinton a foreign-policy success, just as he denied then-president George Bush one by opposing NAFTA in 1992.

It would also suit Dick Gephardt, the protectionist leader of the House Democrats. Chinese entry to the WTO would be set back at least a year. This would avoid splits in the Democratic Party (and a potential loss of union money for some candidates) that would jeopardize his hope of winning the five extra seats the Democrats need for a majority in the House—and for him to become speaker.

(Jan 20th 2000 The Economist From the print edition | United States)