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ДЕПАРТАМЕНТ ЯЗЫКОВОЙ ПОДГОТОВКИ

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АНГЛИЙСКИЙ ЯЗЫК

**КЕЙСОВЫЕ ЗАДАНИЯ
ПО ЭКОНОМИКЕ И ИНФОРМАТИКЕ**

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Пособие может быть использовано как дополнение к учебникам Яна Маккензи “English for Financial Sector” и Патрика Фитцджеральда, Мари Маккалах “English for ICT studies in Higher Education Studies” и предназначено для изучения английского языка в сфере финансов и информационных технологий. Сборник предлагает кейсовые аутентичные задания по специальной экономической тематике, упражнения для развития профессиональных коммуникативных компетенций студентов, задания для развития профессиональных навыков письма и темы для мультимедийных презентаций. Цель пособия – формирование профессиональных коммуникативных компетенций и социально-культурных навыков.

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DEPARTMENT OF LANGUAGE TRAINING

**Anastasiya S. Bugreyeva, Nadezhda B. Golubeva,
Natalya S. Dotsenko**

ENGLISH
**CASE STUDIES ON ECONOMICS
AND INFORMATICS**

MANUAL

Moscow • 2017

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The manual is supplementary course to the students' course books "English for the Financial Sector" by Ian MacKenzie and "English for ICT studies in Higher Education Studies" by Patrick Fitzgerald, Marie McCullagh. It offers case studies in different areas of economics, finance and information technology. It provides authentic materials and exercises to help students to improve their foreign language competences and professional skills. A number of topics are offered for presentations and tasks for writing business correspondence. The manual can be especially helpful in development professional communicative competences of the learners.

This manual is targeted at the second and third year bachelor degree students studying economics and specializing in taxation and information technology.

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Введение

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Помимо изменения содержательного компонента курса иностранного языка в сторону большей профессионализации произошли значительные изменения и в дидактике преподавания данного предмета. Данное пособие отражает указанную тенденцию в методике обучения и направлено на формирование не только языковых навыков, но и профессиональных – сборник включает упражнения на развитие компетенций аннотирования и реферирования разных источников информации, написание деловой корреспонденции и отчетов, ведение переговоров и дискуссий, организацию деловых визитов и приемов, проведение конференций и презентаций. Также обучаемые приобретают компетенции делового общения и работы в команде, учатся правильной коммуникации через социализацию и мотивирование. И, наконец, студенты развивают навыки самостоятельной исследовательской деятельности, критического мышления и принятия ответственности за результат работы.

Анализ конкретных деловых ситуаций, case study (метод кейсов, кейсовые задания) предназначен для совершенствования компетенций в следующих областях: работа с информацией – осмысление значения деталей, анализ и синтез информации, работа с предположениями и аргументами, оценка альтернатив, слушание и понимание других людей, принятие решения.

Метод кейсов относится к неигровым имитационным активным методам обучения. Он основан на обучении путём интерактивного анализа реально существующих проблем бизнеса или предприятия. Непосредственная цель – совместными усилиями группы студентов проанализировать сложившуюся ситуацию (case) и выработать практические решения в контексте поставленной проблемы. Отличитель-

ной чертой и особенностью данной технологии является проблемная ситуация на основе фактов из реальной жизни.

Материал учебного пособия включает набор кейсовых заданий, которые структурированы по единому принципу: в начале каждого кейса даётся исходная информация, описывается проблема, а далее предлагаются упражнения, в ходе выполнения которых студенты пытаются справиться с поставленной перед ними задачей из профессиональной области.

Цель пособия – формирование профессиональных коммуникативных компетенций и социально-культурных навыков студентов бакалавриата второго и третьего года обучения, направление «Экономика», профиль «Налоги и налогообложение» и студентов бакалавриата третьего года обучения, профили «Бизнес-информатика», «Прикладная информатика в экономике», «Информационная безопасность».



Case 1 Caferoma

Background

Caferoma, a well-known brand of coffee, is owned by PEFD, a company based in Turin, Italy. It is promoted as an exclusive product for people who love ground coffee. Its image is of an Italian-style coffee. It has a strong and slightly bitter taste, and costs more than almost every other ground coffee product on the market.

Problems

In the last two years, Caferoma's share of the quality ground coffee market has declined by almost 30%. There are several reasons for this:

a) Brand loyalty. Consumers have become less loyal to brands and more price conscious. They are willing to buy lower-priced coffee products.

b) Price. Supermarkets are selling, under their own label, similar products to Caferoma at much lower price.

c) "Copycat" products. Competing products of Italian-style ground coffee are selling at prices 30–40% lower than Caferoma.

d) Brand image. The Caferoma brand no longer seems to be exciting up-to-date.

Possible solutions

Repositioning the product

Change Caferoma's image to appeal to a different market segment. (Which segment? What changes to taste, quality, packaging, logo, labeling, and distribution?)

Pricing

Reduce the price by, say, 20% to 30% so that it is in the medium range of prices.

Advertising

Develop a new advertising campaign to relaunch the brand.

Multiple brands

Sell Caferoma, with small changes to product, under different brand names at lower prices.

Own brand label products

Allow supermarkets and hypermarkets to sell Caferoma under the supermarkets' own brand labels. Continue to market the Caferoma brand at the same time.

A new product

Bring out an instant coffee or decaffeinated product under the Caferoma brand as soon as possible.

Stretching the brand

Allow some makers of coffee equipment (cafeterias, percolators, coffee machines, etc.) to use the Caferoma brand on their goods, for a licensing fee.

Task 1

As members of PEFD's marketing team, hold an informal meeting. Consider the advantages and disadvantages of each solution.

Task 2

Decide what to do to stop the decline in the product's market share and to increase profits.

Case 2 Work, Rest and Play

Background

ICON is a computer software company based in Los Angeles, USA. The Manager of its company travel service is making arrangements for some senior managers to attend a seminar in France.

The seminar starts on Friday July 5th and ends on Sunday July 7th. It will include meetings to discuss work problems and executive games to encourage teamwork. This is important because the participants are of different nationalities. The participants will expect to work hard, then relax, enjoy the amenities of the hotel, explore the surrounding area and have a really good time. The Manager of ICON'S travel service wants to book a hotel which is both stylish and value for money.

Stage 1

The Manager of ICON'S travel service phones the Account Manager for Corporate Travel at Universal Airlines. He asks Universal to propose three hotels in France for the seminar. The Account Manager of Corporate Travel asks for more details about the seminar and its participants. Read your information Files.

Then role play the telephone conversation and arrange to meet one day the following week.

Stage 1: Manager, ICON Travel Service

The Account Manager for Corporate Travel will ask you some questions about the seminar and its participants. Use this information to answer his/her questions.

<i>No of participants</i>	20 (Male 12 / Female 8)
<i>Requirements</i>	Single rooms for all participants, conference room and 3 smaller seminar rooms
<i>Arrival</i>	Most will arrive on Friday afternoon, a few will come later
<i>Departure</i>	After 5 p.m. on Sunday evening
<i>Type of hotel</i>	A comfortable stylish hotel in an interesting area 3- or 4-star hotel, if possible
<i>Equipment required</i>	Overhead projector, flip chart, PowerPoint, VCR
<i>Meals required</i>	Friday evening: dinner; Saturday and Sunday: breakfast, lunch, dinner
<i>Special requirements</i>	Two participants are vegetarian. Four do not drink alcohol. One participant uses a wheelchair. Six are smokers.
<i>Meeting</i>	Suggest a meeting next Wednesday

Stage 1: Account Manager, Universal Airlines

When the manager of ICON'S travel service calls you, find out the following information.

Participants: how many male? Female?

Arrival and departure times

What kind of hotel do they want?

Any special equipment for the seminar?

Meals: When? How many?

Any special requirements? For example, do any participants smoke?

Anything else?

Meeting: Agree to meet

Stage 2: Manager, ICON Travel Service

You must rearrange your meeting with the Universal Airlines Account Manager. Here is your diary for the week.

<i>Monday</i>	Morning – Afternoon All-day meeting to discuss the department's budget
<i>Tuesday</i>	Meeting & dental appointment
<i>Wednesday</i>	All-day training session
<i>Thursday</i>	Interviewing candidates until 4 p.m.
<i>Friday</i>	Department meeting until 2.30 p.m.

The Manager of ICON'S travel service has to change the date of the meeting. Read your information files and role play the telephone call.

Stage 2: Account Manager, Universal Airlines

You must try to arrange a suitable day and time for your meeting with IDP's travel service Manager. Here is your diary for the week.

	Morning	Afternoon
<i>Monday</i>	All-day visit to a conference center	
<i>Tuesday</i>	Free	Appointment with your son's headmaster at 3 p.m.
<i>Wednesday</i>	Free after 10.30 a.m.	Free
<i>Thursday</i>	Entertaining foreign visitor all day (including the evening)	
<i>Friday</i>	Presentation to Board	Free after 3 p.m.

Stage 3

The Account Manager at Universal Airlines sends information about three possible hotels for the seminar to the Manager, ICON'S travel service. They are all in Bordeaux, or in the surrounding area. At the meeting they discuss the three proposals and choose one of the hotels for the seminar. Role play the discussion.

*Chateau Monfort ****

Description: 18th century castle; 35 rooms

Location: In the countryside. Bordeaux – 30 km; airport – 25 km; railway station – 20 km

Restaurant: French cuisine. Excellent vegetarian food.

Price: €200 per room, per night Cost of meals per day: €50 Group discount: 20%

Conference facilities: 1 large room, 3 small rooms. Basic equipment

Other facilities: Swimming pool, Gym, Bar, Disabled facilities on the ground floor only. No smoking

Entertainment: Free visits to a nightclub (Sat evening).

Hotel Marine ***

Description: Modern hotel; 68 rooms

Location: On the seafront in the Bay of Arcachon; Bordeaux – 60 km; airport – 50 km; railway station – 1.5 km

Restaurant: International cuisine. Vegetarian menu available

Price: €150 per room per night. Cost of meals per day: €80.No discount for groups

Conference facilities: 2 large rooms, 2 smaller rooms. High-tech equipment.

Other facilities: Bar Satellite TV Modem point. Air conditioning. Smoking areas in hotel lounge only. Disabled facilities on ground floor only. Outdoor activities including golf, horse-riding, wind-surfing, fishing and boat trips.

*Hotel Splendide****

Description: Modern hotel (built in 1932); 120 rooms

Location: In Bordeaux city center in a large pedestrian zone. Airport – 15 km; railway station – 15 km; hotel shuttle bus to and from the airport

Restaurant: French and Italian cuisine. Vegetarian menu available.

Price: €220 per room per night. Cost of meals per day €80. Group discount: 10%

Conference facilities: 1 large room, 3 small rooms. Basic equipment.

Other facilities: Bar, Satellite TV, Modem point, Air conditioning. No smoking. Disabled facilities on all floors.

Task 1

Read the background information. Choose the role. You are either:

A) Manager, ICON'S travel service or

B) Account Manager for Corporate Travel, Universal Airlines

Task 2

Role play Stage 1, Stage 2, Stage 3.

Case 3 Auric Bank

Background

“We constantly review our business in order to provide customers with excellent service at competitive price. As part of our major reorganization, we’ve been looking at the cost of customer services. We have a range of options. We can make changes in-house, outsource call centers to areas within the UK or outsource to low-cost countries such as India.” Graham Hammond, Chief Executive, Auric Bank.

The Chief Executive made the statement above to a group of investors three weeks ago. Auric Bank (AB) lost 1.5 billion pounds last year because it invested in unprofitable areas of business. Since then AB has carried out a major review of its operations. It has concluded that:

- 1 customers believe AB is charging too much for its services;
 - 2 AB no longer has the image of a ‘caring’ bank which is close to its customers and understands their needs;
 - 3 the bank needs to reduce costs to boost its profits and share price.
- To cut costs and increase efficiency, AB is now considering a number of options concerning the location of its call centers.

The call centers

AB has approximately 2,500 employees working in three large call centers located in cities in the South of England. The company’s headquarters are in London. There are four options that the directors of the bank are considering.

Option 1: Keep the call centers in-house

Keep the call centers in their present locations but try to reduce costs by:

- Using more part-time employees
- Reducing the hours of business of the centers
- Increasing the targets for the number of calls handled per hour
- Estimated cost of running the centers for the next five years: 16 million pounds. Estimated savings by introducing changes above: 3 million pounds.

Option 2: outsource the call centers to a company based in South Africa

Use Resource PLC, a Cape Town firm. They can set up the call centers in Cape Town and run them.

- The firm has an excellent reputation for reliability and good service
- It has a lot of experience in running centers

Cost of the contract with Resource PLC to run the call centers for the next five years: 8 million pounds.

Option 3: Outsource the call centers to a company based in Scotland

Use Orion PLC, a Scottish firm.

- The firm is new; its managers are young
- It has several contracts with big companies
- Some customers have complained in newspapers that the lines are always busy

Cost of the contract with Orion PLC to run the call centers for the next five years: 10 million pounds.

Option 4: Outsource the call centers to a company based in India

Use X-source India, a company based in Bangalore.

- X-source India is expanding fast
- It has contracts with several large US companies
- It has no problems hiring staff and its costs are low

Cost of the contract with X-source India to run the call centers for the next five years: 5.5 million pounds.

Task 1

Work in groups of four. You are directors of AB. Choose a role card A, B, C or D. Read your role card and prepare for a meeting to consider the four options.

Student A

You want AB to keep their call centers in-house, in the South of England.

You think Ab staff in the call centers:

- can give customers a personal advice
- know the bank's product and services well
- can build relations with customers
- will show customers that AB is still an 'English' bank

If AB chooses one of the other options, you feel:

- the unions will be against the move and cause trouble
- the quality of service will not be as good
- data protection could be a problem (personal details might not be 'secure')

Student B

You want AB to Resource Plc., the South African firm.

You think:

- Resource Plc. will manage the call centers efficiently
- staff will be trained to sell the Bank's new products and services
- Resource Plc. is not the cheapest but it offers value for money

- its staff have telephone voice training and are extremely professional

If AB chooses one of the other options, you feel:

- reducing the hours of business at the in-house call centers is not a good idea

- the Scottish and Indian companies have taken on too much business so there may be problems getting through

Student C

You want AB to use Orion Plc., the Scottish firm.

You think:

- the cost of the contract is very reasonable
- there are many skilled workers in the area
- the move will create a lot of jobs in the area (good public relations for AB)

- there will be good data protection

If AB chooses one of the other options, you feel:

- personal information may not be secure
- service will not be as good
- employees will not know enough about AB's customers or its products

- you don't think the cost saving suggested for the in-house call centers are sufficient

Student D

You want AB to use the firm in India, X-source India.

You think:

- many American firms cut costs by outsourcing to India
- the employees will be very skilled – mostly university graduates
- service will be fast and efficient
- the contact will be cheap

If AB chooses one of the other options, you feel:

- the cost savings will be sufficient
- AB will not be able to reduce the prices it charges customers
- You feel running call centers is time-consuming and distracts the bank from developing its main business

Task 2

Discuss the advantages and disadvantages of each option. Try to persuade the other directors that your option is the right for AB.

Case 4 Acquiring Metrot

Background

Last June the readers of the business magazine Investor International were given some information about the Cornerstone Group.

Company profile

Company: Cornerstone Group
Workforce: 35,000
Turnover: \$4.1bn
Located: Dallas, US
Net profit: 11% of turnover (approx.)

Main activities

Providing services and products for the oil industry.

Recent developments

Cornerstone has recently bought the French company, Metrot. Metrot produces a wide range of household goods. Their head office is in Paris, and they have two factories in northern France.

Reasons for Cornerstone's acquisition

1. Cornerstone will expand sales of Metrot products in Europe.
2. It will use Metrot as a base for launching its own products in Europe.
3. Metrot's biggest asset is its valuable land. Cornerstone could use this to grow the company or may sell off some of the land to finance the acquisition.

Comment

Metrot is an excellent acquisition for the Cornerstone Group. However, there may be some problems when a different style of management is introduced into the French company. Metrot has always been a family-owned company and its Chief Executive, Jean Metrot, has always taken a personal interest in all his employees' welfare.

The new Chief Executive will be Hugh Whitman. He is in his early 30s and was educated at Harvard University. Whitman used to be executive Vice President of the Cornerstone Group. Jean Metrot will remain on the board as an adviser.

Problems

It is now nine months later. The change of ownership and new management style at Metrot has caused many problems. Here are some of the difficulties.

Staff is very unhappy with the present changes. Productivity has fallen and staff turnover is high. These are some of the reasons for the staff's low morale.

1. Factory inspections

The new managers are always checking up on employees and taking notes. No one knows why they are doing this.

2. Redundancies

Since June, about 60 employees from R&D department have lost their jobs. They were given no reasons. Everyone thinks it is very unprofessional.

3. Further changes

Many members of staff are looking for new jobs. They want to move before they are made redundant. People are afraid that the new management will relocate the factories.

4. Management style

Staff complains about the changes the new managers are making. Here is a list of comments made by staff.

'They're trying to do everything too fast – a new computer system, making us learn English, selling in new European markets and bringing out new products.'

'There was a family atmosphere before. The management really cared about us. Everything was more informal.'

'We don't know where the company is going. We've no idea what our strategy is.'

'We get e-mail messages from Head office telling us what to do. Surely they can trust the management over here to make the policies and decisions?'

Task 1

Prepare a meeting of senior managers to resolve the problem. There are two groups at the meeting.

Group A: new managers led by Hugh Whitman.

Group B: senior executives of Metrot who have kept their jobs since takeover.

Task 2

Hold the meeting as one group. Solve the following problems. The agenda is as follows:

- 1 Why is staff resisting the changes?
- 2 Practical suggestions for improving the situation.
- 3 What can be learned from this experience to manage changes more effectively in the future?

Case 5 Angel Investments

Background

Angel Investments (AI) is based in Warsaw, Poland. It is run by a group of rich people who invest money in companies. It is willing to take risks by buying stakes in start-up or small companies, but also puts money into larger companies which have good prospects for growth.

AI makes money by selling shares in companies when their share price is high, then re-investing the money in companies which it expects to do well in the future.

At present, it has 10 million euro to spend and it has chosen four companies as potential investments.

TECHNOPRINT

Technoprint is a manufacturer of office equipment, based in Frankfurt, Germany. Its main products are inkjet and laser printers.

Present share price: 4.14 euro

High (last year): 5.42 euro

Low (last year): 3.59 euro

Extract from business analyst's report

Technoprint's performance has been good. They are reliable company and are exceeding their sales targets. Increased competition in the inkjet sector will affect sales. The new laser printer could be a market leader, but outsourcing components is unpopular with the unions who are threatening industrial action.

	Turnover (euro millions)	Pre-tax profit (euro millions)	Earnings per share (cents)	Dividend share (cents)
Last year	90.8	10.9	51	5.7
2 years ago	88.3	9.9	42	3.9
3 years ago	69.4	4.8	24	0.6

Turnover for first 6 months of this year: 64.5 million euro

UNIBRAND

Unibrand is a fashion retailer based in Amsterdam selling a variety of international brands.

Present share price: 5.72 euro

High (last year): 8.58 euro

Low (last year): 3.88 euro

Extract from business analyst's report

Unibrand is unlikely to meet its sales targets for the year unless the economies in key markets improve significantly. Its new perfume should sell well although there are doubts about the effectiveness of the new advertising campaign.

	Turnover (euro millions)	Pre-tax profit (euro millions)	Earnings per share (cents)	Dividend share (cents)
Last year	370	52.7	19.5	2.2
2 years ago	308	30.1	12.9	1.8
3 years ago	283	27.86	11.14	1.65

Turnover for first 6 months of this year: 204 million euro

ON-LINE FASHIONS

OLF is based on its website www.OLF.com. its target audience is fashion-conscious women aged between 30 and 45 who want to keep up with the latest trends in clothing and accessories.

Present share price: 5.73 euro

High (last year): 8.96 euro

Low (last year): 2.71 euro

Extract from business analyst's report

On the surface this seems to be an impressive performance, but there are major problems. OLF are finding it difficult to meet the demand for their goods. Customers complain of late or incorrect deliveries. The new warehouse in Spain is not efficient. Are they expanding too fast or do they lack management skills?

	Turnover (euro millions)	Pre-tax profit (euro millions)	Earnings per share (cents)	Dividend share (cents)
Last year	19.3	2.1	0.38	nil
2 years ago	9.1	-2.561	3.8	nil
3 years ago	4.9	-2.862	-5.6	nil

Turnover for first 6 months of this year: 14.8 million euro

AMAZON VENTURES (AV)

Based in Milan, Italy, AV was founded two years ago. It is searching for diamonds in two areas (each about 2,000 hectares), near the Amazon river.

Extract from business analyst's report

An interesting company but unfortunately it has heavy debts/ early this year, AV found six large reserves of diamonds this lead to increased sales but also a bill for 750.000 euro for increased security. Costs will rise sharply in the next quarter because heavy rains are predicted and the plant must be moved to higher ground. Environmental groups and their protests are a major problem. Unfavorable news stories have appeared attacking foreign companies working in the area.

	Turnover (euro millions)	Pre-tax profit (euro millions)	Earnings per share (cents)	Dividend share (cents)
Last year	1.03	0.87	0.38	nil
2 years ago	0.38	-1.4	nil	nil

Turnover for first 6 months of this year: 0.57 million euro

Task 1

Work in small groups. You are directors of Angel Investments. Read the reports and note down the key points concerning each company.

Task 2

Discuss the advantages and disadvantages of investing in each company. Then decide what proportion of the 10 million euro you will invest each company. (You may decide not to invest in one or more of the companies – it is up to you.)

Task 3

Compare your decisions with those of the other groups.

Case 6 Focus Advertising

Background

Focus, a large advertising agency based in Paris, has a reputation for creating imaginative and effective campaigns.

At present, Focus is competing for several contracts. It has been asked to present ideas for advertising campaigns to the management of the companies concerned. Concepts are required for the following advertising campaigns.

A chain of eight restaurants in your country

- The restaurants are in prime locations.
- Low fat and vegetarian dishes served in a clean, simply furnished, non-smoking environment.

- Reasonably priced, but not attracting enough customers.
- Target consumer: health-conscious people of all ages.

Aim: a creative campaign to improve sales.

A perfume

- An upmarket perfume.
- Produced by a well-known fashion house.
- Will be endorsed by a famous personality.
- Target consumer: aged 25–40 who enjoy luxury and sophistication.

Aim: launch the perfume in an English-speaking country.

A sports car

- A high-priced, hand-finished model with a classic design.
- Originally popular in the 1950s and 60s.
- Available in both coupe and soft-top versions.
- Target consumer: high-income executives with a sense of fun and style.

Aim: an international press and TV campaign.

Task 1

You are members of an advertising team at Focus. Prepare an advertising campaign for one of the products or services. Use the *Key questions* below to help you.

KEY QUESTIONS (ADVERTISING TEAM)

- What's the campaign message?
- What special features does the product or service have?
- What are its USPs (Unique Selling Points)?
- Who is your target audience?
- What media will you use? Several, or just one or two?

If you use:

- an advertisement – write the text and do rough art work.
- a TV commercial – use a story board to illustrate your idea.
- a radio spot – write the script, including sound effects and music.
- other media – indicate what pictures, text, slogans, etc. will be used.

Task 2

Present your campaign to the management of the company concerned. When you are not presenting your campaign, play the role of the company's management. Listen and ask questions. Use the *Assessment sheet* below to choose: a) the best campaign concept, b) the most effective presentation.

Assessment sheet (MANAGERS)

Give a core of 1–5 each category: 5 = outstanding, 1 = needs improvement

<p><i>Campaign concept</i></p> <p>1 Will it get the target audience's attention?</p> <p>2 Will it capture their imagination?</p> <p>3 Does it have a clear, effective message?</p> <p>4 Will it differentiate the product or service?</p> <p>5 Will it persuade the target audience to buy the product or service?</p> <p>6 Will the target audience remember the campaign?</p> <p>Total: 30</p>	<p><i>Presentation</i></p> <p>1 Was it interesting?</p> <p>2 Was it clear?</p> <p>3 Was it loud and clear enough?</p> <p>4 Was the pace too quick, too slow, or just right?</p> <p>5 Was the language fluent, accurate and appropriate?</p> <p>6 Did it impress you?</p> <p>7 Was there enough eye contact?</p> <p>Total: 30</p>
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Case 7 Visitors from China

Background

Toyworld is a profitable toy retailer based in Seattle, US, with subsidiaries in over 30 countries. Toyworld buys its products from suppliers all over the world.

Mr Lee Chung, head of a toy manufacturing firm based in Guangdong, China, is going to visit the Toyworld subsidiary in your country. Mr. Chung will be accompanied by his Export Manager, John Wong.

The purpose of the visit is to get to know Toyworld's management better and learn more about the company. He may set up a joint venture with Toyworld if he has confidence in them and considers them to be a suitable partner. This is Mr. Chung and Mr. Wong's first visit to your company, and to your country.

To...	Manager, Public Relations
From...	Chief Executive
Subject:	Mr Lee Chung's visit Date – 2 June

Here is the e-mail about Mr. Chung and Mr. Wong's first visit to the company.

Mr. Lee Chung and Mr. John Wong will arrive at 3.10 a.m. on Monday 20 June and leave on Thursday 23 June. When you prepare the draft programme, please schedule a meeting (morning or afternoon) during which we can discuss our business plans with Mr. Chung and Mr. Wong. Also, make sure that our visitors have opportunities to meet our staff and gain a complete understanding of our business.

The visitors will expect to have some basic information about Toyworld and to be offered activities which give them an understanding of the company. Please also arrange some social and cultural activities during their stay.

Above all, we do not want to make any cultural mistakes during the visit. We want Mr. Chung and Mr. Wong to leave with an excellent impression of our company and the way we treat foreign visitors.

To help you plan the visit please could you attend the talk by Catherine Eng (an expert on Chinese business culture).

KEY QUESTIONS FOR THE PLANNING COMMITTEE

- Where will the visitors stay?
- Who will meet them? What transport will be used?
- What arrangements should be made for meals?
- When will the business meeting take place?
- What topics would be suitable for discussion at meals?
- How will the visitors be entertained? Trips? Special events?
- What gifts would be suitable? When and how should they be given?
- Should there be local press and television coverage?
- Is it necessary to provide an interpreter?
- Any other ideas to develop a good relation

Task 1

You are members of the planning committee for Mr Chung's visit. Read the email, key questions for the planning committee.

Task 2

Plan a draft programme in small groups.

Task 3

Compare your ideas with the rest of the class and produce the final programme.

Case 8 Slim Gyms

Background

Slim Gyms owns and operates six health and leisure clubs in Manhattan. The clubs appeals mainly to people aged 20-40. All the clubs have a gymnasium, with the latest equipment, an aerobics studio, a swimming pool, sun decks, a café, bar and clubroom. Three of the clubs are located in areas where large numbers of Spanish, Chinese and Italians live.

In recent months, Slim Gyms' profits have fallen sharply. Many members have not renewed their memberships and the club has been unable to attract a sufficient number of new members. Slim Gyms recently advertised for a General Manager. His/her main task is to boost sales at the clubs and increase profits.

The job

- Developing a custom-oriented culture in the organization of the clubs
- Increasing the revenue and profits of the company of six clubs in Manhattan
- Exploiting new business opportunities
- Liaising with and motivating our team of managers and their staff
- Contributing to marketing plans and strategies

The person

- Dynamic, enthusiastic, flexible
- A strong interest in health and fitness
- A good track record in previous jobs
- The ability to work with people from different cultural backgrounds
- Outstanding communication skills
- A flair for new ideas and sound organizational skills

Candidate #1

Name: Guido Passerelli Age: 52

Marital status: Married, with three children

Education: Bronx High School

Experience: Former American football player. Ran a small business for several years finding locations for film companies. Recently organized stunts for a major film company.

Outstanding achievement: "I was 5th in the New York marathon when I was aged 34."

Skills: Fluent Italian and Spanish. Speaks English fairly well, but with Italian accent and is sometimes hesitant.

Personality/appearance: Tall, handsome, tanned. Very self-confident. Wore a designer jacket and expensive designer tie at the interview.

Comments: Many interesting ideas for improving Slim Gym's profit. For example, thinks members should get a 50% discount off their subscription fee if they introduce a friend. Wants Slim Gym to aim at all age groups. Believes his organizing ability is his best quality. Expressed his points of view forcefully, sometimes arguing heatedly with the interviewer.

Candidate #2

Name: David Chen Age: 40

Marital status: Single

Education: Master's degree in Business Administration (Hong Kong University); Diploma in Physical Education (New University of Hawaii)

Experience: Several jobs in various companies before joining a large university as Sports Administrator. Has organized many sports events for the university.

Outstanding achievement: "I have a black belt in karate."

Skills: Numerate extensive knowledge of computer programs. Fluent Chinese and English, some Italian.

Personality/appearance: Dressed in a formal dark suit but looked relaxed. Quiet, determined, polite and diplomatic. Asked many questions during the interview. Was rather shy if he didn't know the answer to a question.

Comments: Believes Slim Gym should increase its service, for example, offer classes in salsa dancing, open a small boutique at each club selling sports equipment, etc. it should immediately cut costs by 10% in all areas of its business. Thinks his honesty is his best asset. Has an interest in all Eastern contact sports: judo, karate, aikido, etc.

Candidate #3

Name: Gloria Daniels Age: 36

Marital status: Married with two children

Education: Diploma in Sports Management (Massey University, New Zealand)

Experience: Worked for three years for a chain of fitness centers. Joined Johnson Associates, an organization promoting top sports personalities. Has travelled all over the world for the last ten years negotiating contracts with sportspeople.

Outstanding achievement: "I negotiated a successful deal with Hank Robbins, the famous baseball player. We promote him exclusively."

Skills: Has an elementary knowledge of Spanish and Italian. Was good at all sports when younger. Considered becoming a professional tennis player.

Personality/appearance: Wore a very expensive dress at the interview. Film star looks. Charismatic, over-confident. "I like to win at everything I do, and usually I succeed. That's why I'm so good at my present job."

Comments: Thinks Slim Gym should raise more money by offering shares to wealthy individuals. In her opinion, Slim Gyms should immediately hire a firm of management consultants to review all its activities. In the interview, she seemed to be very competitive. Would she be a good team player?

Candidate #4

Name: Age: 32

Marital status: Divorced, with two children

Education: Degree in Biology (Sorbonne, France); Master's degree in Dietetics (Yale University, US)

Experience: Worked for five years as a dietitian in a hospital. Had a year off work when her health broke down because of stress. Joined a company selling health and skin-care products. For the last three years has been Assistant Sales Manager. Outstanding achievement: "I am proud of raising a family successfully while working full-time."

Skills: Fluent French, good Spanish. Speaks and writes English fluently.

Personality/appearance: Well-dressed in fashionable clothes. Dynamic and ambitious. Sometimes assertive during the interview: "Nothing will stop me achieving my goals."

Comments: Her main idea for increasing profits: spend a lot of money on multi-media advertising and offer big discounts to new members. Believes her strongest quality is her creativity. In her leisure time, she runs a weekly aerobics class and also manages a local baseball team at the weekend.

Task 1

You are directors of Slim Gyms. Study the file cards on the four short-listed candidates.

Task 2

Hold a meeting to discuss the strengths and weaknesses of each person. Try to agree on who seems to be the best candidate for the job.

Case 9 Trade

Background

Ashbury Guitars

The Kim Guitar Company (KGC) in Seoul, South Korea, makes electric guitars for Japanese manufacturers and distributors in Europe and the US.

A major US distributor, Ashbury Guitars, has contracted KGC about marketing a range of guitars under its own brand name for the Californian market. Ashbury Guitars is a well-established company with an up-market image. It has had no previous dealings with KGC. Ashbury's owner, Richard Grant, plans to put three models on the market: Ashbury SG1000 (the most expensive model), the SG500 and the SG200. The body of guitars will have an experimental shape as well as advanced technical features.

It is now early January. KGC has agreed to manufacture the guitars for Ashbury, even though it is a very busy time of the year for them. The two companies have had some initial correspondence by e-mail and now a face-to-face meeting is required.

Several points of the contract need to be negotiated. KGC's owner, David Kim, has flown to San Francisco to meet Richard Grant. At the meeting, the Marketing Director of each company will be present. The purpose of the meeting is to make a deal acceptable to both sides, and which could be the basis for a long-term relationship.

Information file: Ashbury Guitars

Models You want KGC to supply three models: Ashbury SG1000, Sg500 and Sg200. The SG1000 has some special additional features.

Quality You want KGC to produce *all* the guitars in their own factory. If they use other manufactures for part of the order, the quality of the guitars may not be very good.

Quantity You want to place the following first order:

Model	Quantity
SG1000	400
SG500	1,200
SG200	200

You are sure that demand will be good for the SAG1000. The cheaper guitars may sell well. However, there is strong competition in the lower price ranges.

Price KGC have quoted these prices:

SG1000	US\$ 920
SG500	US\$ 550
SG200	US\$ 440

All prices include transport costs to Pusan, Korea.

Payment By bank transfer. You want to pay a deposit of 50% immediately, and the remaining 50% one month after receiving the goods.

Delivery By 1 June. A later date will result in reduced sales. (Music festivals in California in May create demand.)

Discounts Although this is a first order, you hope to top negotiate a discount of at least 6% off the quoted price. If you place other orders in the future, you hope to have a discount of 8%.

Guarantee At least three years.

Information file: KGC

Models You can supply three models in the first year: Ashbury SG1000, SG500, and SG200. The SG1000 will be costly to produce because it has advanced technical features.

Quality To reduce costs of production, you want 40% of the order to be manufactured by other Korean firms.

Quantity You want Ashbury Guitars to place a first order of at least 2,000 guitars. You need a large order to cover the costs of setting up the production lines. Try to persuade Ashbury to buy a large number of SG1000 model because your profit margin on this guitar is high.

List price (US\$)	Estimated cost of production	Prices quoted to Ashbury
SG1000	510	920
SG500	340	550
SG200	290	475

Payment By bank transfer, as soon as the goods have been dispatched.

Delivery 30 June. If an early delivery is required, production costs will increase by 10% because of overtime payments to workers. Before 30 June, the factory will be fulfilling orders for other customers.

Discounts Your company policy is to offer new customers 3% off list price for a first order, and 5% for second and further orders.

Guarantee You usually offer a guarantee of 5 years.

Task 1

Study the background information. Choose the role. You are negotiating as either: the KVC team with David KIM and Marketing Director or the Ashbury team with Richard Grant and Marketing Director.

Task 2

Read your information files. Identify your priorities and work out your strategy and tactics. Then negotiate so that you get the best deal for your company.

Case 10 Brookfield Airport

Background

Built in the mid-1960s, Brookfield Airport, in the English Midlands, is operated by the Midland Airport Authority (MAA). In recent years, the number of passengers it handles has greatly increased because it has become a base for several budget airlines offering cheap flights to European destinations.

There is an excellent rail link from major cities in the UK to a station under the terminal building. Car parking is limited.

The terminal building, an award-winning modernist design, is now 'listed' and has a protected status. This means the structure cannot be altered in anyway.

There is strong local opposition to extending the terminal or building a new runway. To cope with the increased passenger numbers, one suggestion is to schedule flights at any time of the day or night.

The rapid growth in business has brought problems. A recent survey showed that passengers had many complaints about the quality of the service at the airport.

MAA must therefore decide how to deal with the complaints and consider what action to take. There are some things MAA cannot change. Moreover, the funds available for the funds available for improvements are limited. The Managing Director feels strongly that the solutions should not cost a lot of money. The airport is always very busy at peak times.

Statistics

Total number of passengers using the terminal (per year)

Five years ago	Three years ago	Last year
1.8 million	2.6 million	4.8 million

Results of passenger survey

The results of a recent passenger survey have revealed several areas of complaint.

Passengers completed a questionnaire, ranking various services and facilities. The figures refer to the percentage of passengers answering the questionnaire.

	Good	Satisfactory	Poor
Transport links	95%	5%	–
Car park	–	5%	95%
Check-in/passport control	20%	30%	50%
VIP lounge	–	5%	95%
Security	70%	15%	5%
Signs including TV screens	–	40%	60%
Boarding/disembarking	15%	25%	60%
Baggage	–	25%	75%
Terminal facilities	20%	30%	50%
Public announcements	15%	25%	60%

Passenger complaints recorded by the customer service department

1 The worst time is seven to eleven in the morning. There are always big queues at the check-in desk, and it's much disorganized. I also missed a flight because of long line at passport control – there are always huge queues there.

2 It's just like the airports back home for us smokers. I had to go right outside the terminal to have a cigarette before my flight. And I wasn't the only person there, I can tell you. I hoped you British would be a bit more understanding about smoking. We are not criminals, are we?

3 There's a huge duty-free shop – that's good but the staff are too keen to get you to spend your money. They follow you round the shop offering special promotions. They really hassle you. The other services are poor. They need more dispensers for candy bars, beverages, magazines and so on in the waiting areas. Such things are useful when your flight is delayed.

4 It's difficult to get information about the flights. The public announcements are either non-existent or so quiet you can't hear them above people talking. The TV screens could provide updates on a regular basis but the information is very vague. A few weeks ago, my flight was delayed four hours. Engine trouble. No one told us anything. There should be more airport staff to deal with emergencies.

5 You need to provide guards or officials to watch passengers and their belongings. I put my briefcase down when I was getting money out of a cash machine. It was gone in a flash, never saw who took it. I had my laptop in it, and I wasn't insured. I talked to another passenger; he'd had small things stolen from his luggage on three occasions.

6 I find the worst service is at the point where I pick my suitcase as it comes off the plane. There's this huge room but it only has two conveyor belts and they break down all the time. You often wait about twenty minutes for the first bags to appear. So now I expect to wait at least thirty minutes before I pass through customs. And another thing, you need more trolleys, all over the airport, not just at the point where you pick up your luggage.

7 The facilities for disabled people like me could be better. I had to pay 18 pounds to use a wheelchair to get to the plane. I think it is outrageous. I don't know whose responsibility it is.

8 Well, my complaint is that there is nowhere to park. Your car park is much too small. The other day I spent forty minutes driving around until I found a space. It was only my good luck that someone was leaving. This is the 21st century, isn't it? You'd think airports of all places would be prepared for the increased traffic.

Task 1

You are members of the Customer Relations Department. Work in small groups. Consider the complaints and decide which:

- are the most important.
- require immediate action and which can be delayed.
- are more likely to be the responsibility of the airlines.
- are more likely to be the responsibility of the Airport Authority.

Task 2

Meet as one group and share your ideas. Decide on an action plan.

Case 11 Orbit Records

Background

Orbit Records was founded in London 20 years ago, and now has 12 large stores in the UK and five in Germany. The company grew quickly because it had a successful marketing strategy. The stores offer a wide range of CDs which they sell at reasonable prices. Their record stores carry over 80.000 titles – about three times more than their main competitors.

About five years ago, Orbit stores diversified into selling computer games, DVDs, videos, T-shirts, adventure holidays, concert tickets, books and comics. Not all the new areas of business were profitable and, as a result, the company's profits fell sharply.

A change of leadership

After the founder of Orbit Records died, a new Chief Executive, Sheldon Drake, took over. However he failed because he had no clear vision of where the company was going. Also he did not communicate well with employees, who started to lose confidence in the business. They began to worry about losing their jobs and their morale suffered.

Three months ago Sheldon Drake resigned and its place was taken by someone from outside the company.

Task of the new CEO

One of the new CEO's main tasks was to motivate staff and raise morale, so that staff would be more productive. The HR Department sent questionnaires to all employees below senior management level. The results are summarized in the chart.

STAFF ATTITUDES (%)	<i>Yes</i>	<i>No</i>	<i>Don't know</i>
1 Do you feel you participate fully in decision-making?	12	70	18
2 Do you feel valued by the company?	48	46	6
3 Do you understand the company's objectives and overall strategy?	16	20	64
4 Do you have enough contact with senior management?	18	50	32
5 Do you have enough opportunities to express your ideas or make suggestions?	42	26	30
6 Are you paid adequately?	48	45	7
7 Do you think you will be working for this company in five years' time?	25	14	61
8 Do you have enough opportunities to meet each other socially?	55	42	3

Task 1

Work In small groups. Discuss the results of the survey. What are the most important findings?

Task 2

Think of six practical ideas for motivating staff, improving morale and increasing loyalty. Note them down. As one group, try to agree on the six best ideas for further action.

Case 12 Style is everything

Background

The International Clothing Association (IGA) represents clothing manufacturers and retailers. Its main aim is to promote innovative new products in the clothing industry. Each year, the ICA awards prizes to companies with outstanding new ideas. Companies send a detailed product description and a marketing plan, and the four best products are selected. These companies then present their products to a panel of judges. The presentations are televised and the event is broadcast worldwide.

ICA guidelines to competitors

- 1 The purpose of the competition is to encourage innovation in the clothing industry.
- 2 Any product with innovative features may be entered.
- 3 Product concepts should be creative and have excellent sales potential.
- 4 It will be an advantage if a company's effectively and show that they are a good team.
- 5 Judges will award extra points for companies which use unusual materials in the manufacture of their clothes. Originality and imagination will be particularly valued by the judges.

Guidelines for presenters

- 1 Introduce your team. Outline the structure of your presentation.
- 2 Describe the product design, features and consumer benefits.
- 3 Describe the product's target market.
- 4 Mention other competing products.
- 5 Present your strategy' for the new product.

For example:

- branding, packaging, other product features (guarantee, etc.)
 - pricing strategy
 - distribution (What sales outlets will be used?)
 - promotion (What advertising, product launch and sales promotion?)
- 6 Describe any ideas for television or radio commercials.

New materials

The clothing industry shows great interest in new materials as these extracts from fashion magazines show.

Clothes that change color

All too often, you eagerly open a clothes catalogue and find something you'd like to wear – but it's in a color you hate. A new thread, developed for the military, will make this kind of disappointment a thing of the past.

At Massachusetts Institute of Technology, Professor Joel Fink has developed an innovative process to combine plastic and glass. The result: a new fiber that can reflect all the light that hits it, from any direction. The new thread will be used to make military uniforms. However, it could enjoy a major commercial future in fashion.

Clothing could be made from the fiber and equipped with a tiny battery pack. When you want to change your suit or dress from, say, black to red, you flick a switch and your clothes change color.

Some experts think that the fiber is 'incredibly revolutionary'. The fashion industry 'might start by using the thread in accessories, to change the color of a bag or a hat or a scarf. For men I can see it used to make jackets and even shoes.'

Bags and Belts

What does a girl carry in her handbag? Well, just about everything these days and more besides. Smart girls these days get away with bag by carrying a briefcase as well. You never know what you will need before you get back to your home/office/hotel.

Classic leather bags are always in style – this season looks out for textured leathers and mock crocodile. The more tailored the bag, the more formal.

But there is more to handbag design than the classics. Adventurous designers are creating bags in all sorts of new materials: modern canvas, slick space-age plastics and printed fabrics; traditional bags in soft pretty fabrics, embroidery and florals.

Task 1

Your company is competing for the ICA's top prize. You believe that you have an outstanding product concept. Prepare your product presentation present it to the rest of the group, any questions they may have.

Task 2

When you are not making a presentation, you are a member of the judging panel. Decide who should get the top prize. (You may not vote for your own product concept.)

Case 13 Beverly Watches

Background

Beverly Watches, located in Los Angeles, California, owns a chain of stores selling jewellery and fashion watches. Its best-selling products are high quality ladies' watches which are innovative and offer a variety of 'face' colors. The company is increasingly sourcing its products from Asian countries and its profit margin on such products is usually 80 % to 100%.

The date is October 1. The buying department wishes to purchase 5,000 ladies' watches, all of which must arrive in Los Angeles by November 15, in time for the Christmas buying season. The company believes it can definitely sell 3,000 watches but the remaining 2,000 will depend on demand – which is uncertain. Because Beverly Watches has cash-flow problems, it wishes to pay for the goods as late as possible.

The target consumer is price-conscious, but will pay more if the watches have original designs. Members of the buying department are now in Asia looking for a reliable supplier with whom they can build a long-lasting relationship. They have contacted three companies who could supply the watches.

Supplier 1: you represent Chung Ka (Hong Kong)

Quantity 1,000 in stock;
 4,000 available in Hong Kong by November 1

Product features Very slim and light; 3 colors; mechanism made in the company's factory in China

Unit cost US \$48

Delivery No information

Payment 50% deposit when order placed; remainder payable when the goods are shipped

Discount No information

Returned goods No information

Guarantee No information

There are the terms you usually offer.

- Delivery: by sea; 1,000 available within 30 days of order; 4,000 by end of November. No delivery by air.
- Discount: 2% on the first 2,000. 5% on large orders.
- Returned goods: unsold goods may be returned and the amount credited to the customer's account.

- Guarantee: 6 months. You cannot offer a longer guarantee as the watches are not very reliable.

- Face colours: you offer 3 colours; if more face colours are required, you increase the unit cost by 15%.

Supplier 2: you represent Soong Jewellery (Malaysia)

Quantity 3,000 in stock;
2,000 available in Malaysia by November 1

Product features 2 classic designs; 4 colours;
mechanism made in Japan

Unit cost US \$55

Delivery No information

Payment Pay when the goods are sent; no deposit

Discount No information

Returned goods No information

Guarantee No information

There are the terms you usually offer.

- Delivery: by sea; 3,000 available within 30 days of order; 2,000 by the end of November. Goods can be sent by air, you add 5% to the unit cost.

- Discount: 3% on up to 5,000 units, 5% on larger orders.

- Returned goods: no returns unless the goods are faulty

- Guarantee: 1 year.

- Face colours: you offer 4 colours; if more are required, you increase the unit cost by 8%.

Supplier 3: you represent Timeline Watches (South Korea)

Quantity 5,000 in stock

Product features 8 colours; multiple functions;
mechanism made in Switzerland

Unit cost US \$60

Delivery No information

Payment 20% deposit when order placed

Discount No information

Returned goods No information

Guarantee No information

There are the terms you usually offer.

- Delivery: normally 30 days by ship after receiving an order but there have been problems with deliveries recently. However, you now have a new shipping agent who should be more reliable.

- Discount: no discount on orders up to 5,000; 2% on orders over 5,000
- Returned goods: no returns for faulty goods
- Guarantee: 5 years

Buyer 1: you meet the supplier representing Chung Ka.

Get details of the missing information. You want the following.

- Face colours – at least 5
- Delivery by 15 November at the latest
- Discount of at least 5% on all goods ordered
- To be able to return all unsold goods, with the amount credited to your account

- A guarantee for 1 year

Buyer 2: you meet the supplier representing Soong Jewellery

Get details of the missing information. Study the supplier's offer. You want the following.

- Face colours – at least 5
- Delivery by 15 November at the latest
- Discount of at least 5% on all goods ordered
- To be able to return all unsold goods, with the amount credited to your account

- A guarantee for 1 year

Buyer 3: you meet the supplier representing Timeline Watches

Get details of the missing information. Study the supplier's offer. You want the following.

- Face colours – at least 5
- Delivery by 15 November at the latest
- Discount of at least 5% on all goods ordered
- To be able to return all unsold goods, with the amount credited to your account

- A guarantee for 1 year

Task 1

Read the information about each supplier. Some information is missing. Which supplier looks the most attractive at this stage? What problems, if any, could there be with each supplier?

Task 2

Work in groups of three buyers and three suppliers. Each buyer meets one of the suppliers. Find out missing information concerning delivery, discount, returned goods and guarantee. Negotiate to get good terms for your company.

Task 3

Buyers meet together and discuss the negotiation. Decide together which supplier to use. Suppliers meet together and discuss how you feel about the negotiation. What are you happy or unhappy about? What would you do differently?

Task 4

Buyers announce your decision and, diplomatically, explain why you rejected the suppliers. Suppliers say how you would negotiate differently next time.

Case 14 Creating a sense of identity

Background

The international construction and engineering group KMB is based in Munich, Germany and has manufacturing subsidiaries and associated companies throughout the world. Its company magazine is published five times a year and is distributed by post to staff worldwide. The following letter, sent by a member of staff in its Brazilian sales office, appeared in the magazine's latest issue.

Dear editor,

I know I'm not the only one who feels uninformed about what's going on in KMB worldwide.

When I was at our recent sales conference in Munich several other people from overseas subsidiaries said they felt a lack of involvement and wanted more information from head office about new developments within the group. For example, why has KMB bought a major civil engineering company in Australia? How does this acquisition fit into our overall strategy? Unfortunately we could only guess at the reasons.

We also think it's essential to share best practice among our subsidiaries.

We must know about ideas for improving efficiency as soon as possible. For example, if a marketing technique has been successful in one market, other areas of our business should be told.

We all agreed that the new Global Communications Director should overhaul KMB's communication system so that all members of staff are kept fully informed – both about overall strategy, and about news from overseas subsidiaries. What's the use of a worldwide network if no one knows what's going on?

Aldo Renato Sao Paulo, Brazil

The new Global Communications Director, Dominique Lapierre, sent the following e-mail to the Chief Executive of KMB after Alrio Renato's letter had been discussed at a board meeting.

Sent Monday, 11 September, 9.53am To Franz Zimmermann Subject Poor group communication

It seems this complaint is quite common. Overseas staff don't think they get enough information about developments within the group, or about our latest acquisitions, etc. Ideas about best practice aren't shared either.

We urgently need to improve our communication system to show that we value staff, and to strengthen their sense of common purpose within the organization globally.

Task 1

You are members of the working group which will discuss suggestions for improving KMB's communication system. Brainstorm ideas of your own which you could add to the draft agenda. Choose the three best ideas and add them to the agenda.

Task 2

Hold an informal meeting. Discuss the advantages and disadvantages of the suggestions. Also consider the cost implications of each proposal. Finally, work out an action plan for improving communications within the company.

Case 15 Zumo – creating a global brand

Background

The best-selling sports drink, Zumo, is produced by Zumospa, a food and drinks company based in Valencia, Spain. In the last financial year, Zumo contributed €30 million to Zumospa's annual sales revenue, accounting for 20% of the company's total turnover, and €4.5 million in profits. It is, in fact, Zumospa's cash flow, generating more revenue than any other of its products.

At present, Zumo is sold only in Europe. However, the sports drink market is the most rapidly growing segment of the world beverage market. Zumospa would like to make Zumo a global brand, even though the market is very competitive, with major companies such as Coca-Cola,

Pepsi Cola and Heinz fighting for market share.

Key features of Zumo

Contains caffeine, vitamins and glucose.

Has a secret ingredient, 'herbora', made from roots of rare African plants.

Scientific studies show that the body absorbs Z faster than water or other soft drinks.

The unique formula contributes to Zumo's taste and thirst-quenching properties.

Marketing

- Launched in the mid-1980s. Positioned as an energy product for fitness-conscious people, especially sportsmen and women between the ages of 20 and 45.

- Distributed mainly through grocery stores, convenience stores and supermarkets. Also through sports clubs. Also, sales generated through contracts with professional leagues, such as football, golf and tennis associations.

- Press, TV and radio advertising is backed up by endorsement contracts with famous European footballers and tennis stars.

- Zumo is offered in four flavours and its price is in the medium range.

Developing a global brand

Zumospa needs to reposition Zumo for the global market. Initial research suggests that Zumo is perceived as a Spanish drink, and its close identification with Spain may not be suitable when developing a global brand.

Zumospa would like to launch a global campaign focusing first on South America, Mexico, the Southern states of the US and Japan, where they have regional offices. A decision has been taken to use a standardized advertising theme in these markets, although the copy of the advertisements and language of the TV and radio commercials will be adapted to local needs.

Before setting up focus groups in these areas and commissioning market surveys, the Marketing Department of Zumospa have organized an informal departmental meeting to brainstorm ideas for their global marketing strategy.

Task 1

You are members of the Marketing Department of Zumospa. Work in groups and brainstorm the points listed in the rough notes.

Task 2

Meet as one group and select some of the best suggestions for further study.

Case 16 Getting to know you

Background

Kimsoong, a Korean car manufacturer, has its European headquarters near Paris. It has retail sales franchises in most European countries which not only sell cars and motor accessories but also have servicing facilities. The larger outlets also offer fast-fitting of tires and exhausts, and deal in used cars.

Over the last ten years Kimsoong, with its reputation for reliability at low prices, has built up market share at the lower end of the market. Their basic models include many 'extras' which other manufacturers charge for. Kimsoong also makes large donations to environmental groups and is seen as an organization with a social conscience.

Furthermore, its R&D Department is developing an "eco-car" which uses an-alternative power source.

Problems

Intense competition is forcing Kimsoong to consider new ways of generating business. Management believes that if the company looks after existing customers well, they may buy three or four Kimsoong vehicles over a ten-year period. Therefore, Kimsoong's new strategy is to hold on to existing customers and increase customer loyalty. They also hope to develop a more accurate buyer profile. (At present, data is from questionnaires sent to customers following sales but only 40% are returned.) However, because of pressure on profits, they need to achieve these objectives at a low cost.

Solutions

A customer loyalty programme will be developed by the Customer Services Department at head office. It will be available to all European franchises and costs will be shared 50/50 with head office.

Its aims are:

- to build up long-term customer relationships, thereby increasing profits
- to increase customer loyalty
- to draw' up an accurate buyer profile
- to encourage staff to be more active in building up good customer relations.

Kimsoong customer profile

Age		Sex		Occupation	
Under 30	48%	Male	52%	Student	8%
31-40	27%	Female	48%	Self-employed	15%
41-50	15%			Employed	75%
Over 51	10%			Retired	2%
Interests (in order of importance)		Percentage of repeat buyers		Income group	
1 Eating / drinking	5 Health	15%		Higher income	2%
2 Sport	6 Reading			Middle income	82%
3 Travel	7 The arts			Lower income	16%
4 Environment	8 Politics				
Reason for not repeating purchase		After-sales care (customer rating)		Customers' priorities (in order of importance)	
Bought a competitor's model	52%	Excellent	4%	Economy	
Dissatisfied with service	26%	Very good	12%	Price	
Relocated	8%	Good	17%	Reliability	
No longer drive	5%	Fair	61%	After-sales service	
Don't know	9%	Poor	6%	Length of warranty	
				Performance	
				Comfort	

Task 1

Prepare a presentation of your plans for the customer loyalty programme. In addition to your own ideas, you may want to include some of the following:

- discounts to existing customers who buy a new Kimsoong car
- a monthly company magazine sent free to all customers
- free servicing for the first three years of ownership
- generous terms when customers trade in old models.

Task 2

Present your ideas to your colleagues. Working as one group, devise a customer loyalty programme using the best ideas from each group.

Case 17 Camden Football Club

Background

Camden Football Club is one of the great success stories in English football. Today, it is third in the Premier Division (the top division) and has reached the quarter finals of the European Champions League competition, which is held every year. They get huge crowds at their ground and their Polish manager, Cristos Srocla, is idolized by their fans. Camden is also a great commercial success and is very profitable.

What has brought about their success? Firstly, their manager Cristos had a clear strategy for the team from the start. He developed young players who had come through the club's youth training scheme. The team was also strengthened by one or two carefully chosen foreign players.

The extraordinary commercial success of Camden is due to their Commercial

Director, Sophie Lagrange. She greatly increased profits from the club's main business areas: corporate hospitality, advertising, sponsorship and conferences and banqueting.

At the same time, she skillfully exploited the Camden brand and diversified into other areas: a travel agency for fans and also for companies using the club's hospitality facilities; a joint venture with an insurance agency to provide financial products for the club's corporate clients; and finally, training courses in the club's conference rooms run by local companies. Turnover increased by over 100% to £70m and profits leapt to £15m. TV rights, soon to be renegotiated, will provide another very lucrative source of income.

Current situation

Camden's current four-year sponsorship deal with an insurance company is about to finish. Sophie Lagrange is considering a new and better deal with United Media pic, the powerful publishing, TV production and mobile phone group. It is not only the increased money from sponsorship which appeals to Camden, however. United Media's broad range of business activities would offer many other opportunities to increase revenue.

United Media are interested in Camden because the club's success has brought it over 4m fans in the UK and 40m in the Far East. Camden played a friendly match recently in China which was watched live by a Chinese audience of over 250m.

Representatives of Camden and United Media are meeting shortly to discuss a possible sponsorship deal. The following factors will influence the negotiation:

1. Because of their recent successes, Camden feel they are in a strong position to negotiate a valuable four-year contract.

2. Some experts say Camden were lucky to win their last European Cup match, and that they rely too much on their star South American player, Paolo Rosetti. Now aged 30, he has a poor discipline record and is rumoured to have marital and drink problems.

3. Sophie Lagrange has full negotiating rights over sponsorship. She will only choose United Media as a sponsor if she can negotiate a good deal for the club.

Task 1

You are members of the negotiating team of either Camden FC or United Media. Read your role card and prepare for the negotiation.

Task 2

Work out your objectives, priorities, strategy and tactics. Think carefully about what concessions you are willing to make. An agenda has been prepared in advance of the meeting.

Agenda

Date: 10 May Time: 10am Venue: Conference room, Camden Football Ground

Total value of the contract /Timing of payments /Advertising /Control of players and club activities /Paolo Rosetti /Official supplier of Camden football boots /Other commercial opportunities /Fringe benefits for players /Other points

Case 18 Office Attraction

Background

Karl Jansen, Managing Director at London-based Crawford PLG, has always believed that employees perform better in a relaxed working atmosphere. The staff rule book is slim and he'd like to keep it that way. However, recent events have made him wonder whether the company culture has become a little too casual. It could be because staff are working later at night and at weekends, or because fierce competition is causing more stress. Whatever the reason, close relationships between colleagues are definitely becoming more common.

Memo URGENT AND CONFIDENTIAL
From Karl Jansen, Managing Director
To Jenny Cunningham, Human Resources Director-
Date 30 June

Policy on office relationships

I'm extremely concerned about the growing number of close relationships between members of staff. This is having a very bad effect on both performance and morale.

As you know, there have been three cases recently where employees have developed personal relationships which seriously affected both their own performance and their colleagues'. Furthermore, I've heard this morning that one of the individuals concerned is threatening the company with legal action.

As a result, I'd like the Human Resources Department to review in detail each of the three cases and advise how to proceed. These are:

- The appointment of Tania Jordan
- The re-assignment of John Goodman
- Complaints against Derek Hartman

The details

1 Appointment of Tania Jordan

A few months ago, Karl and two other directors, Marcus Ball and Julia Kovacs, appointed a new manager. There were three excellent candidates. Finally Tania Jordan was selected – mainly because Marcus had argued strongly in her favour. Karl discovered later that she and Marcus had started living together. When Karl told him he should have withdrawn from the selection process, Marcus said angrily, "Listen, I didn't know her so well at the time. In any case, it's my private life. I supported Tania because she was the best person for the job.'

Karl discussed the matter with Jenny. They decided to take no further action.

2 Re-assignment of John Goodman

A few weeks later, a problem arose in the Finance Department. The Financial Director and her ambitious deputy, John Goodman, had formed a very close relationship. Unfortunately, the relationship went sour and they had bitter rows in public. Because of these problems, serious mistakes were made in the annual report and the morale of the whole department was affected.

Karl and the other directors decided to move John to another department. However, John's new position is less challenging with little opportunity for promotion. He believes he's been very badly treated by the management and is threatening to take his case' to an industrial tribunal.

3 Complaints against Derek Hartman

A week ago, a part-time employee in the General Office, Claudia Northcott, e-mailed Karl asking for a private meeting with him. When they met, he found out that she was representing all the part-time staff in the department. According to her, the Office Manager, Derek Hartman, is showing favoritism towards one of his staff, Petra Palmer, and this is upsetting everyone in the office. Karl asked for more details.

Specific questions

Later on in his memo, Karl asked Jenny and her team to consider the following questions.

1 Did we make the right decisions concerning Marcus Ball and John Goodman?

What further action, if any, should we take in each case?

2 If the accusation against Derek Hartman is true, what action should we take?

3 Should the company have a written policy on dose relationships at work?

If so, what should be the main guidelines for staff?

What sanctions should there be for staff who don't follow the guidelines?

4 How can we avoid someone gaining an unfair advantage from having a dose relationship with another member of staff?

Are there any specific examples of bad practice that could be written into the policy document?

Task 1

You are members of the Human Resources Department at Crawford PLC. Discuss the questions in Karl's memo.

Task 2

Agree what action to take. One of you should take the role of Jenny and chair the meeting.

Case 19 A risky business

Background

Hi-Style, a family-owned company based in Manchester, makes fashion wear for 18- to 30-year-olds. Its branded merchandise, ETC, is sold throughout Western Europe.

The company's image is of fashionable clothing at competitive prices. However, its core products – jeans and trainers – are losing appeal and the company is struggling in a very competitive market.

Zelal Sulen, the daughter of Hi-Style's founder, took over as a Managing Director when her father retired last year. Zelal realizes that Hi-style is out of touch with its target consumers and is losing direction.

Three months ago she appointed the management consultants, City Associates, to advise her how to improve profits.

Option 1: Organic growth

Hi-Style could allocate up to €10m to new investment in the business.

For example, it could:

- improve distribution and sales through an exclusive agreement with a major retailer
- launch new product ranges with major advertising campaigns
- improve its image by employing brand development consultants
- hire a top retailing executive to run the business
- commission City Associates to do a thorough review of all Hi-Style's activities.

Option 2: Acquisition of Smartwear Ltd

Based in Birmingham, Smartwear makes work doilies such as uniforms for bank staff and flight attendants. It has good sales agents in Europe and Asia, and strong connections with Indian manufacturers. It has a very creative design department with exciting new ideas.

Smartwear made deliveries worth €2m last month to two new customers in the Far East. Unfortunately, both have just gone into liquidation and the stock has disappeared. There has also been bad press about working conditions in overseas factories.

Option 3: Acquisition of Tan Clothing Company

Tan Clothing Company is a successful family- owned business based in the Far East. Because of connections with its country's military rulers, it has regular orders of uniforms and footwear for the armed forces. It owns a large factory which is working 30% below capacity. Recently there has been

political unrest but, at present, the situation is under control. However, the three Tan family members disagree as to who owns the company and who should run it, and have threatened each other with legal action.

Option 4: Research and Development

A recent graduate in Textile Design, Hi-Style's Director of Research and Development wants to greatly increase its debt to finance work on materials technology. Options include:

- 'take anywhere' crush proof material you can wear straight out of a suitcase
- clothes which can alter their colour
- exceptionally warm clothing for cold climates.

She has identified five areas of research which could transform the company and give it a 'cutting edge' image. The research would cost €10m– €12m.

Task 1

You work for City Associates. Your firm has identified four options with different risks. Zelal can afford to choose one option. She has asked you to give your preferred choice and recommend a second choice. For each option,

Task 2

Discuss these questions in small groups.

- What are the option's strengths and weaknesses?
- What opportunities does it offer Hi-Style?
- How about the risks-for example, financial, legal, operational?
- What will be the likely effect on Hi-Style's current business?
- How much will the option cost?

Case 20 KVG Europe

Background

KGV is a traditional high-street music retailer. Based in Amsterdam, it has 12 stores in the Netherlands, three of which are megastores. Some years ago, it expanded into the rest of Europe and now owns 65 stores – eight of these are megastores.

The company is at present going through a difficult period. Over the last three years, profits have steadily fallen, from €450m to €290m. The megastores' sales have risen by 8%, accounting for 55% of the company's turnover, but the increased revenue has been achieved only by heavy

expenditure on advertising and promotion. Fierce competition, a narrow product range and a lack of innovation are some of the reasons for KGV's poor performance. The management are concerned, especially, that they are not exploiting the opportunities offered by selling through the Internet.

Market study

A study by KGV's Marketing Department was recently carried out and it produced the following findings:

- It is estimated that, in five years' time, 50% of all music products will be bought through the Internet.
- 65% of consumers under the age of 30 prefer to do their shopping on the Internet.
- KGVs customers would like stores to provide a wider product range.
- Average spending per month in KGVs medium-sized stores is highest among the 41-60 age group.
- Spending on music products by the over 60 age group will increase significantly in the next ten years in Europe.
- The various age groups have clear preferences as to the type of music they enjoy and purchase.

Task 1

You are a member of KGV's management. Hold a meeting with other managers and discuss these agenda items. Decide what action KGV should take concerning their future strategy.

Task 2

Answer the following questions.

- 1 Should KGV keep some of their stores but sell at least 50% of their goods through the Internet?
- 2 Should they close all their stores and offer a total on-line service? If so:
 - what risks would be involved?
 - how would the costs of the business change?
 - what organizational changes would the company have to make?
- 3 Should KGV stay as it is, but follow Hanna's advice:
 - outsource advertising and promotion
 - hire a consultant to look at the product mix
 - consider targeting new segments of the market.
- 4 What are the consequences of the chosen strategy? How can the problems be minimized?

Case 21 The New Boss

Background

Business Equipment and Systems (BES), based in Birmingham, England, sells fax machines, data projectors and slim plasma screens. Eighteen months ago, its national Sales Manager, Vanessa Bryant, moved to a senior management position. Her replacement, Nigel Fraser, has been told to increase turnover by at least 10% and to create a high-performing sales team. However, since Nigel's appointment the team has not been working effectively and morale is low. Last year's sales were over 20% below target. The sales team has a mix of nationalities because BES intends to enter other European markets in the near future.

NIGEL FRASER

Manager, English, aged 32

A 'whiz kid'.

Previously worked for a business equipment chain. Ambitious and creative with a direct, 'no-nonsense' approach. Task-oriented, he sees his main objective as meeting sales targets. Very disappointed with current sales performance. Believes the team needs to be controlled more tightly and is underperforming because of bad habits acquired under Vanessa Bryant.

Problems

1 Nigel has asked for more detailed sales reports from his team and wants to check their diaries every two weeks. The more experienced staff resent this.

2 To set clear objectives and improve communication, he holds more meetings. However, some staff are often late or don't attend, and two or three people dominate the discussions.

3 When targets are not met or customers complain, staff blame each other or other departments. They never take responsibility for mistakes.

4 Because of rivalry between individual members, they do not help each other. Some actively dislike each other.

5 The team become defensive if outsiders make helpful suggestions. They lack creativity and can't accept criticism.

6 Nigel often praises his previous company and colleagues, while the team talk about 'the good old days' when Vanessa was Sales Manager.

The sales team

JOHAN NIEDERMEISTER

Fax machines, Dutch, aged 35

Calm, laid-back and very popular. A harmonising influence in the team.

Missed his sales targets four times last year. Says competition is very strong in the fax machine market. A little inconsistent – makes a lot of calls one day, then relaxes the next. Gets on well with Nigel, who considers him a friend and a good team member.

NINA PERSSON

Fax machines, Swedish, aged 26

Reliable, quiet, hard-working

Starts early, finishes late Missed her monthly targets three times last year Contributes little to meetings, but (has some good ideas. She is often 'put down' by Jean, although other members like her. Thinks commission - should be based on the sales of the whole team.

ROBERT DRISCOLL

Data projectors, new products English, aged 45

The top salesperson, with 20 years' experience at BES. Strong character, sociable. Dissatisfied because of the atmosphere in the department. Great rivalry between him and Jean. They sometimes insult each other in meetings. Enjoys meetings and talks a lot. Can't see the point of paperwork. Talks a lot about the good old days.

LIANA PETRIDES

Data projectors, new products Greek, aged 25

One year's experience in BES.

Always exceeds her monthly target. Hard-working, ambitious and talented. Rather aggressive.

Everyone envies her success, except Johan. Some staff put her down at meetings and do not welcome her ideas. Feels demotivated. Wants to move to plasma screens. Thinks paperwork and training courses are a waste of time.

BRINA TARDELLI

Fax machines, Italian, aged 34

Dynamic, moody and a little insecure. Good sales record. Generally meets her sales targets. Can be aggressive if her ideas are not accepted at meetings. Gets on well with Robert. They always support each other at meetings and obviously like each other a lot.

DON MILLS

Plasma screens, English, aged 35

Volatile and unpredictable. Greatly exceeds his targets some months, then falls well below in others. Very talented salesman. Liked by most of his colleagues, but often clashes violently with Bruna. There are rumours that they were very 'close' friends in the past. He always makes his final call close to his home, which is not in the company's interests.

JEAN DUBOT

Plasma screens, French, aged 35

Extrovert, noisy. Gets up late. Calls on customers mostly between 11am and 3pm. Often exceeds sales targets. Earns good commissions. Well-liked by customers. Some colleagues think he is arrogant and boastful. Frequently late for meetings but always has an excuse.

Task 1

You are directors of BES. Discuss the problems and consider:

- what advice you should give Nigel.
- what action, if any, you should take.

Task 2

Answer these questions:

1. Should Nigel approach team members individually? What should he say?
2. Should he remove one of the team? If so, who?
3. Should you replace Nigel with an existing team member?
4. How will you build on the team's strengths? How will you deal with its weaknesses?
5. Do the team get enough of a say in decision making?

Case 22 Vision Film Company

Background

Vision Film Company (VFC) was founded fifteen years ago by two Polish expatriates. Now based in Krakow, Poland, it has produced numerous television commercials and documentaries, some of which have won international awards for originality and creativity. It has a small, highly experienced production staff and depends on an extensive freelance staff for its projects.

The Director and Executive Producer of VFC now want to make a feature film. The film is a drama set in post-war Europe. VFC have presented their business plan to a Swiss film finance company, European Finance Associates (EFA).

EFA have provisionally agreed to finance the project with a budget limit of \$10 million. They have asked for a second meeting next month (April) to negotiate the details of the finance package. Industry practice is for film finance companies to be repaid their investment, usually with interest, and receive a share of the film's net profits.

Here are some extracts from the VFC Business Plan.

Executive Summary

The extraordinary success of independent films in recent Academy Awards shows that there is a huge demand for dramatic human interest films, whether they are performed by unknown actors or by stars. This proposal is for an independent feature film with a budget of \$5.5 million.

The Polish Affair Is a romantic thriller about Alicia, a young Polish interpreter, and a British intelligence officer; Justin, who meet and fall in love in the chaos of Vienna at the end of the Second World War Without warning Alicia disappears, and their brief, passionate relationship ends. When, ten years later; they meet again by chance in Berlin their feelings for each other are as strong as ever. However as the mystery behind Alicia's disappearance unfolds it threatens to destroy them both.

This story will have great appeal to all age groups, but especially to film-goers in the 25–40 age group, who form a large segment of most countries' film-going audience,

Target audience

25–40 year olds; well-educated, frequent film-goers. The film will also appeal to older people.

Target market

Worldwide distribution.

Main markets: USA, Canada, Europe.

Promotion

To help the producer make deals with major film distributors, the film will be shown at key film festivals (e.g. Cannes and Berlin).

Production schedule

Complete financing and casting	This year July
Complete pre-production	This year December
Carry out principal photography	Next year March-June
Complete laboratory work	Next year July
Sundance Film Festival (US distribution deals)	Final year January-June
Berlin Film Festival Cannes Film Festival	Final year January-June
Publicity campaign	Final year January-June
Release film in the United States and Europe	Final year July

Three-year income project summary:

Gross revenue

Low: \$15million Medium: \$25million High: \$40million

Draft Budget (key costs US\$)		
Story and script	400,000	
Producer's fee / costs	370,000	
Director's fee	120,000	
Principal artistes	140,000	
Total		1,030,000
Production unit	1,500,000	
Camera crews / equipment	290,000	
Artistes (other than principals)	280,000	
Music	450,000	
Travel and transport	230,000	
Hotel and living expenses	950,000	
Completion bond	290,000	
Total		3,990,000
Other expenses	480,000	480,000
Total cost		5,500,00

Reasons why "The Polish Affair" will appeal to audience worldwide.

- Outstanding script
- Romantic interest
- Exciting locations: Warsaw, Berlin, Vienna
- Dramatic tension

Task 1

Work in groups.

Group A: Director and Executive Producer of Vision Film Company.

Group B: Directors of European Finance Associates.

Task 2

Read your role cards and prepare for the negotiation. Then hold a meeting and negotiate a suitable agreement.

Role Card Group A

Directors of European Finance Associates

1 Financial terms

You want to be repaid 120% of your investment (\$6.6 million) within five years of the launch of the film, plus 70% of the net profits of the film. Your reasons are: it is a high risk investment; the producer and director have no track record in making feature films; they want to use unknown actors.

2 Payment of instalments

You want to pay the loan to Vision Film Company in the following way:

- Pre-production (September) 10%
- Before the principal photography (March) 40%
- At the end of the principal photography (June) 35%
- When laboratory work is completed (July) 15%

3 Choice of director

You do not believe that the present director has suitable experience for this film. You want to appoint someone with a good track record in feature films and offer that person a salary, plus a share of the profits.

4 The leading actors

You feel strongly that two European stars should have the principal roles. They would greatly increase the profit potential of the film and also attract major distributors.

5 Distribution

The director and producer of VFC do not understand that it is difficult to sign up distributors, especially when they do not have a track record in feature films. To do deals, you need contacts and skills. You can help VFC to make the necessary deals, but this will involve time and money!

6 Artistic independence

The film makers can have a great deal of independence – you will not interfere. However, they should bear in mind the following:

- a) the film must have a happy ending. Film-goers do not like to leave a cinema feeling sad.
- b) the film should contain some ‘flashback’ war scenes involving Alicia and Justin in order to attract younger film-goers.
- c) there should be few, if any, erotic scenes as the film needs to appeal to a wide range of adults in various age groups.

7 Launch date

March (final year) at the latest, to follow up its expected success at the Sundance Film Festival.

Role Card Group B

Director and Executive Producer of Vision Film Company

1 Financial terms

After repaying 100% of EFA’s investment (\$5.5 million) you will then share the net profits of the film on a 50/50 basis.

2 Payment of instalments

You want the loan to be paid in the following way:

- On signing the financing contract (April/May) 25%
- Before the principal photography begins (March) 50%
- At the end of the principal photography (June) 15%
- When the laboratory work is completed (July) 10%

3 Choice of director

Director: you have a brilliant track record in the advertising sector of the film business. You have also written the remarkable script for the film. Try to persuade EFA that you are the right person to direct this film.

4 The leading actors

You want to use two unknown actors in the main roles. They have agreed to perform in the film and you believe they have great 'star potential'. If you have to use established stars, this could add \$1-2 million to your costs- perhaps even more.

5 Distribution

You are confident of signing up major distributors once the film is made and its quality is apparent to everyone (good story, wonderful script, plus your technical skills).

6 Artistic independence

You want complete independence when making the film, especially in two matters:

- the film must contain several erotic scenes featuring the two lovers so that it will appeal to contemporary audiences' tastes.
- it will have a sad ending which will highlight the high moral standards of the two main characters.

7 Launch date Preferably July (final year). A three-month publicity campaign immediately after the Sundance Film Festival is essential for the film's success in the United States.

Case 23 Hermes Communications

Background

You and some of your colleagues in the Customer Service Department at Hermes Communications are attending a course on how to deal effectively with customer complaints. You have been asked to do a number of tasks based on some correspondence which the course trainer has given you.

Complaint 1

I'm writing to you because I've been trying to get through to your helpline unsuccessfully for the past three days. I've called at various times of the day and night and never get through. I wish to query something on my monthly bill. Is there any point having a helpline if it's always busy?

I intend to visit you next week to discuss this in person at your regional office.

Complaint 2

E-mail to Hermes Communications

To: Customer Services Dept. From: Customer 567/001 Date: 24 November

Having finally got through to the helpline, I was passed from department to department and nobody wanted to deal with my problem. In the end, after twenty minutes, I gave up. It's not a helpline if no one wants to help you.

Complaint 3

To: Customer Services Dept.

From: AA Company Date: 24 November

I'm writing to complain about your terrible customer service. I topped up my phone using my credit card on two occasions (£20 each time), however the amount wasn't credited to my account. It's not so much the loss of £40 which upsets me. I'm sure I'll get it back. But my phone didn't work when I needed it to make an urgent call to an important client. This is not the sort of service I expected from a company as well known as yours. I'd like to know how you're going to compensate me.

Complaint 4

To: Customer Services Dept.

From: A Person Date: 24 November

I became a subscriber to your service because you promised six months of cheap-rate calls to the US, where my daughter lives at present. So imagine my horror to find this service withdrawn, with no explanation from you, after only three months. Then you wrote to me asking for an extra £30 a month to maintain the previous level of service. I find this absolutely outrageous.

Complaint 5

As a mobile phone user and subscriber with your network for the past five years, I have been very pleased with the level of service provided.

However, recently, I've been experiencing headaches. After visiting my doctor, he informed me that this could be due to mobile phone use. As I am in sales and travel a lot, I am on the phone up to three hours per day. I was not previously aware of any health risk associated with mobile phones and am now very concerned about the long-term health risks of prolonged exposure to microwave radiation.

I've heard of other cases like mine and therefore I would like to know what your company is doing about this problem.

I look forward to hearing your comments with interest.

Task 1

Read the written correspondence. Because you are so busy, decide which complaints you will handle now as a priority, and which you will leave until later.

Task 2

In groups, discuss how to deal with the complaints that you have prioritized. Then delegate writing tasks within your group and write replies to the complaints. 3 Exchange your replies with those of another group. Comment on the effectiveness of the various documents.

Task 3

Work in pairs. Role play the following situation.

Student A: You are the customer who wrote complaint 1. You have come to the regional office to complain in person.

Student B: You are the Customer Service Officer at Hermes Communications' regional office. Read complaint 1 that the customer has sent. Then listen to their complaint. Deal with the problem as effectively as you can.

Case 24 Game over

Background

The article below appeared in today's edition of Euronews, a weekly newspaper published in English throughout Europe.

High Street Retailer in Pirated Goods Row

Retailing chain Target Stores was accused last night in a TV documentary of selling illegal software products. The documentary claimed that pirated copies of the best-selling computer game 'Race against Time' were flooding the market in Europe.

According to the programme, in the last three months Target Stores have sold approximately 50,000 games, said to be illegal copies from a supplier based in Hong Kong. It was alleged that the copies had been bought at a heavily discounted price and were 'selling like hot cakes' because the price was so low.

Target's Chief Executive, Penny Taylor, insisted the accusation could not be true, saying 'Target Stores is known for its integrity and high ethical standards. We price our products competitively and offer top quality goods. We have a skilled and committed workforce in whom we have great confidence.'

A company employee who does not wish to be named said that Target Stores have had problems in their buying department recently. Staff turnover in the department has been high. This has affected employees' morale and efficiency.

Company profile

TARGET STORES

Based in Dublin, Ireland, Target Stores is a major retailer with stores in most European cities. The company started by selling stationery, books and greeting cards, later branching out into magazines and music products. Because of Fierce competition it has repositioned itself, concentrating on computer products, especially computer games.

Its merchandise appeals particularly to teenagers and young adults. The chain prides itself on providing quality products at affordable prices. It is known for its high ethical standards. Its mission statement begins, 'We put people first'.

Key figures

Workforce	8.000
Sales	€720m
Pre-tax profits	€90m

Task 1

Because of the serious allegations and the effect on the company's image and share price, Target Stores decide to hold a press conference. This will enable them to defend the company, explain how they are dealing with the crisis and answer questions from journalists.

You are either:

a director of Target Stores (Role card 1) or a newspaper journalist (Role card 2).

Task 2

Read your role card and prepare for the press conference. Then hold the press conference.

Role Card 1

Directors, Target Stores

Your objectives are:

- to defend Target Stores' reputation
- to explain what you are doing to deal with the crisis
- to handle the journalists' questions.

Your team will be led by the Chief Executive of the company and could include: Director of Public Relations; Director of Human Resources; Head of Legal Department; Marketing Director; Consultant (crisis management firm).

1. Hold a meeting to discuss what actions you will take to deal with the situation.

2. Try to predict what questions the journalists will ask and prepare answers to them. You may be surprised by some of their questions as they have been carrying out some investigations to find out the truth.

You have made your own enquiries into the matter.

- You contacted your chief buyer. He says no one knows who placed the original order. According to him, it could have been a buyer who has left the company.

- You contacted the manufacturer of the game 'Race against Time'. They were not helpful. They said they were still considering what action to take regarding the illegal copies.

- Staff turnover in Target Stores has been high during the last two years. Because the company has suffered fierce competition, you have had to make over 2,000 employees redundant. You have to increase profits because the share price has been declining and shareholders are becoming restless.

Role Card 2

Journalists

Your objectives are:

- to ask probing questions so that you get the true facts and find out how the company is dealing with the crisis

- to gather information so that you can write a powerful and accurate article for your newspaper.

1. Work in small groups. Prepare some questions which you would like to ask the Company's representatives.

2. Work as one group. Choose the best questions and decide who will ask each one.

3. When you ask your questions at the press conference, make sure you ask 'follow up' questions if you are not satisfied with the answers you receive.

You have made some enquiries and found out the following:

- The owner of the firm in the Hong Kong which sold Target Stores the games was investigated five years ago for selling counterfeit toys, but was not charged.

- Two other games, manufactured by the firm which made 'Race against Time', have also been sold by Target Stores in small quantities (approximately 200 each). The games 'Space Gladiators 4' and 'Endgame' are also illegal copies supplied by the same company in the Netherlands.

- For the last two years, Target Stores have been reorganizing their business. They have reduced their workforce by making 2,000 staff redundant. Employees who left the company accused the management of being 'ruthless and dictatorial'.

Case 25 Group Bon Appetit PLC

Background

Last year, Group Bon Appetit PLC acquired Innovia Cafes after a bitterly fought takeover battle. Bon Appetit won by offering Intiovia's shareholders 20% over the market price for their shares. At the time, Bon Appetit stated: 'Our objective is to double our business within the next five years'.

Shortly after the takeover, the group's share price reached a peak of almost 400 pence. But then it began to decline dramatically to a low of less than 50 pence. Recently it has risen to 80 pence because of strong interest from a powerful predator, the restaurant chain Icarus.

Innovia Cafes

- All income groups, all ages, family-orientated clientele
- Good food and drink at
- affordable prices—£5-£10 per person

Group Bon Appetit: Key facts

Three restaurant chains in London and South East England

- Bon Appetit 22 restaurants
- The Seashell 10 restaurants
- Innovia Cafes 16 cafes

Planning a nationwide expansion

- New restaurants next year
- A further 20 within the next three years

The Seashell

- Middle-income groups, 25–60 year olds, mixed clientele
- Seafood a speciality
- £15-£30 per person

Bon Appetit

- Higher-income groups, 25–50 year olds, loyal clientele
- Top-class cuisine
- £30-£60 per person

We are continuing to look for suitable acquisitions in order to create a more diversified group and to widen our customer base. The purchase of Innovia Cafes takes us into a new market segment, the £5-£10 a head market. We expect Innovia Cafes to contribute significantly to our profits in the future.

(Extract from Annual Report – Group Bon Appetit PLC)

Recent developments

Financial experts in the City of London no longer have confidence in the group's strategy, for the following reasons:

- Innovia Cafes have performed badly. There is strong competition from US chains, such as Starbucks.
- however, arc used to a relaxed management style. Many have left because of the 'bureaucratic' culture.
- Staff turnover among Innovia's other workers is also high and customer service is poor.
- Bon Appetit has agreed to buy the El Morito chain of 12 Mexican-style restaurants for £14m. Experts believe that the group is overstretched and losing focus.
- The powerful national restaurant chain, Icarus, has taken a 10% stake in Bon Appetit and says that Bon Appetit would be an excellent addition to its business.

Debt ratio

2 years ago	This year	Last year
30%	55% (includes cost of Innovia acquisition)	70% (includes cost of proposed El Morito acquisition)

* Debt ratio: a company's debt in relation to the amount of share capital it has.

Major shareholdings

- Directors of Bon Appetit 12%
- Weinburg Investments (venture capitalists) 20%
- Restaurant chain, Icarus 10%
- Private shareholders 58%

Task 1

The directors of the venture capital firm Weinburg Investments, a major shareholder in Bon Appetit, are concerned about the threat of takeover. They have asked the directors of Bon Appetit to attend a meeting to consider:

- What actions must Bon Appetit take to avoid the threatened takeover by Icarus?
- How can Bon Appetit improve the performance of Innovia Cafes?
- Should Bon Appetit reconsider the proposed takeover of El Morito?
- Should Bon Appetit's overall business strategy be revised?

Task 2

Form two groups:

- a) Directors of Bon Appetit
- b) Directors of Weinburg Investments.

Discuss the questions above. Then hold the meeting.

Case 26 Yedo Department Stores

Background

Yedo is a successful Tokyo-based department store chain with six outlets in Japan and two more in London and New York, it has an excellent reputation for high-quality goods. Yedo also offers outstanding service and a large number of sales staff. Many lifts have uniformed attendants.

Yedo's strategy – to offer a wide choice of products and personalised service – has worked well until recently. Last year, however, profits fell

sharply and results for the first six months of this year have been disappointing. As a result, several similar famous store groups are now heavily in debt.

Market research

Yedo's management has asked an international marketing agency, TYVCB, for advice on how to maintain and increase profitability.

Yedo Department Stores: fact file

Founded	1895
Staff	Approximately 3,200 (mostly full-time)
Opening hours	7 days 10am – 6pm (Fridays 7pm)
Location	Usually near major railway stations
Core customers	Well-off, brand-conscious; over 80% female
Discount policy	Discounts only available during regular January and July sales
Decor	Traditional / Old-fashioned
Parking	Very limited
Special services	Classes in foreign languages and leisure activities; Travel service

Yedo Department Stores: extract from TWCB's market report

3. Competition

3.1 Convenience stores

These appeal to all groups, including housewives. They offer a much wider range of goods and services than they used to, and respond quickly to demand. Conveniently located, they often operate round the clock.

3.2 Discount stores

Prices in these stores are 20–30% below the manufacturers' recommended level. Also, stores which price all products at ¥100 have become popular in Japan.

3.3 Speciality stores

Stores such as Muji and Fast Retailers sell good quality, 'no-brand' products at low prices, backed up by sharp advertising. Fast Retailers has opened 430 stores in Japan and plans another 80 to 100 each year. Muji has 251 stores in Japan, and appeals mostly to young shoppers.

3.4 Foreign retail chains

Following deregulation in the retail industry Carrefour from France, and the American chain Wal-Mart, plan to open in Tokyo.

Trends

- 1 As the Japanese population ages, older groups will provide opportunities for sales growth.
- 2 Japanese consumers want value for money and to feel they have got a bargain.
- 3 The Japanese are less brand-conscious now. Sales of 'no-brand' goods are increasing.
- 4 Japan is moving from a luxury culture to a convenience culture. People want services which make life easier or save time.
- 5 Women are marrying later in life.

Discussion questions

1. Should Yedo continue to position itself as an up-market store selling exclusive products?
2. Should Yedo try to appeal more to older or younger people? What products and services should it offer to appeal to these target customers?
3. What are the advantages and disadvantages of renting parts of the store to other businesses? Should Yedo be doing this?
4. Should Yedo expand overseas, with more stores abroad? If so, what countries would be suitable for overseas expansion?
5. Should Yedo use the Internet? If so, how can it use the Internet effectively?
6. How can Yedo compete against the convenience stores?

Task 1

You are members of the marketing agency, TWCB.

An informal meeting has been arranged to discuss ways of maintaining and increasing Yedo's profitability. Yedo's CEO has prepared some discussion questions for you to consider.

Task 2

Hold the meeting and note down your best ideas, which will be incorporated into a report.

Case 27 The price of success

Background

Based in Seattle, US, W.C Hooper inc. (WCH) is a manufacturer and distributor of hi-tech electronic products, ranging from executive toys to state-of-the-art digital cameras. The company has grown rapidly in the last 20 years and until recently; its performance has been excellent. However,

problems have arisen concerning communications, both internal and external, and these are beginning to impact on the efficiency of the business. A new Communications Director, Betty Friedman, has been hired, and one of her tasks is to improve communications in the company.

A product defect

A weakness in the company's communications was highlighted by the following incident. What mistakes do you think were made in the way this problem was handled? How could they be remedied?

About three months ago, a customer found a fault in WCH's most up-to-date, multi-functional cell phone. Her phone became very hot after being recharged and it burned her hand. 'It was so hot, I thought it would explode,' she said. The customer complained to the Customer Service Department, who sent her a replacement phone. The employee dealing with the complaint did not inform either the Marketing or R&D Departments about the fault. After this incident, there were a number of similar complaints. As a result of bad publicity, the phone was withdrawn from the market.

Lawrence Discount Stores

Another incident a few weeks ago showed that internal communications in the company were not working well. Read about the problem and discuss the reason(s) why WCH lost an important customer.

Richard Lawrence, one of WC H's best and oldest customers, phoned William Hooper about the company's new digital camera, the EX-120.

He told Hooper that he'd probably be placing an order for 5,000 of the products in the next few weeks. Hooper passed on this information by phone to the Sales Manager. When Lawrence sent in the order five weeks later, the Sales Manager sent him an e-mail saying that unfortunately the new product was out of stock. Lawrence complained to Hooper, who asked the Sales Manager why he hadn't given priority to Lawrence's order. The manager replied, 'I was waiting for him to confirm his order. I didn't realise that his order had to be given priority.'

The new Communications Director

Betty Friedman, the new Communications Director, hired a firm of consultants, Ward Associates, to analyse the communications problems in the company and to come up with recommendations for improvement. Read this extract from the report.

1 Internal communications

Problem:

Communications between Directors and Heads of Department need to be improved.

Recommendations:

- Heads of Department should send weekly reports to the Board of Directors.

This would enable Directors to keep in touch with key developments in the company.

- A new manager should be appointed to be in charge of key accounts, such as the Lawrence Discount Stores account.

He/She would ensure that key customers were given personal attention.

2 Sales reps/Head Office

Problem:

Head Office is not receiving information quickly from sales representatives. This has resulted in delays in processing orders and insufficient information about customers.

Recommendation:

Issue all sales reps with BlackBerry devices and instruct reps to send daily reports to the Sales Department.

3 Customer Services Department

Problem:

The department needs a new procedure for dealing with product complaints.

Recommendation:

Any complaint about a product which has health and safety implications should be forwarded immediately to the following departments: Marketing, Research and Development, Public Relations.

1. Work in small groups. You are members of the Board of Directors. Discuss each of the consultants' recommendations. Decide whether you agree or disagree with each recommendation, noting down your reasons.

2. Consider any other ideas that your group has to improve communications in WCH.

Case 28 Creating a global brand

Background

HENRI-CLAUDE Cosmetics

Highly successful eau-de-cologne for men under the brand name Physique. This is the company's best-selling men's fragrance and the best-known brand in their product portfolio. HCC is now planning an international campaign for Physique early next year. It intends a high-profile launch in 10 countries, which will enable the brand to achieve international recognition. The theme of the campaign will be 'Physique for the Urban Man'.

A global ambassador – a celebrity in the arts world – will be chosen to lead the campaign.

Key features of Physique

Based on redwood and cedar, with citrus and spices, Physique has a fresh, woody, long-lasting aroma.

- It has five other secret ingredients, known to only a small number of senior managers.
- The scent is very appealing to women. Men who use Physique say they feel confident, attractive and sophisticated.
- Its target audience in France is ambitious, career-minded men in the 30–40 age range.

The eau-de-cologne is positioned as a premium fragrance. It is priced at the top end of the market.

Product details – physique

Product shape: Tall, rounded bottle, solid appearance. Black, with the brand name in the centre. Silver top. Screw top or spray.

Average retail prices:

40ml	\$60
75ml	\$75
100ml	\$95
125ml	\$110

The price places Physique in the top ten most expensive male fragrances.

Distribution in France: sold exclusively in perfumeries (specialized stores for cosmetics and toiletries) and in shops in top hotels.

Promotion: Commercials on French television; radio spots; full-page advertisements in prestigious magazines, e.g. Paris Match, Marie Claire, etc. Special promotions at high-class events such as Longchamp racing stadium, and in embassies and duty-free shops at the airports.

Words associated with Physique by consumers (in order of frequency): masculine, sensual, sophisticated, elegant, energetic, alluring, spicy, glamorous, individualistic.

Quotation from sales literature: 'Physique man is confident, ambitious and resilient. He is at home in any city and enjoys the challenge of urban life. He has a lot of creative energy, travels widely and is optimistic about the future.'

Preparation for the international marketing launch

Having received the results of research in a number of potential overseas markets, the Marketing Department of HCC has organised a meeting to brainstorm ideas for the global marketing strategy of Physique.

Task 1

You are members of the Marketing Department of HCC. Work in groups and brainstorm the points listed in the rough notes. One person in each group should take notes. Then meet as one group and select some of the best ideas for further study.

Task 2

In your groups, devise a one-minute television commercial for the international launch. Using a storyboard*, present the ideas of your group to your colleagues. Then as one group, choose the best commercial. If necessary, take a vote.

*A series of pictures showing the sequence of scenes (setting, action, dialogue) of a TV commercial. A storyboard helps marketing staff to visualise the concept for the commercial.

BRAINSTORMING SESSION

1. Which 10 countries should be chosen for the launch?
2. Does Physique need a new name? If so, what?
3. Should Physique continue to be targeted at the 30-40 age group? If not, what age group should it target?
4. Should Physique continue to be positioned as a premium fragrance, or should HCC market it as a mass fragrance, with a different pricing structure?

5. The container of Physique must be changed. How should the new container look? Plan the new packaging (shape, design, materials).

6. Price: Are the present pricing levels appropriate? Should HCC offer a cheaper version of Physique for emerging markets?

7. Distribution: Should HCC continue to sell the fragrance in exclusive outlets in overseas markets, or should it use a wider variety of outlets? If so, what sort of outlets should it choose?

8. Promotion: Who should be the international ambassador(s) for the brand? What special promotions could HCC organise in the overseas markets?

9. Physique needs a new slogan. Ideas?

10. Manufacture: Is it now time to manufacture the fragrance in low-cost countries? If so, which countries would be suitable?

Case 29 Al-Munir Hotel and Spa Group

An Arab hotel group wishes to build customer loyalty by getting to know its visitors better and encouraging them to return to its hotels.

Background

Vanessa Schultz, recently appointed Director of Customer Relations, has been hired by the Al-Munir Hotel and Spa Group to improve the group's customer relations. The group has a number of hotels in Oman and the United Arab Emirates. Vanessa Schultz's first task is to focus on building better relationships with the guests who use the hotels, especially with those who may become frequent visitors. The challenges facing the hotel group are exemplified by the following facts. In the last five years:

- group turnover has fallen by 22%
- the group's room occupancy rate has dropped from 81% to 62%
- customer surveys have indicated increasing dissatisfaction with the hotels
- the retention rate of guests has fallen from 25% to 8%
- there seems to be little customer loyalty to the hotel group
- recent reviews have reduced two of the hotels' rating from four stars to three.

Vanessa Schultz realises that she and her colleagues must come up with a plan for building long-term relationships with guests. Discuss the possible reasons for the disappointing trends noted above.

Look at the results of a customer satisfaction survey on the right. What conclusions should Vanessa Schultz draw from them?

Vanessa Schultz has used the services of Abd Al-Halim Hamdi, a local consultant specialising in hotel management, to find out why many guests do not return to stay at the hotels on a regular basis. Hamdi carried out a survey of guests by telephone and written questionnaires and is now reporting his findings to Vanessa Schultz.

What do you think will be the main reasons why guests do not return to the hotel?

Results of Customer Satisfaction Survey

(Average scores for responses from customers completing the questionnaire this year)

Key: 5 = outstanding, 4 = good, 3 = average, 2 = below average, 1 = poor

<i>Category</i>	<i>Score</i>
Location	5
Rooms	4
Amenities *	3
Service	2
Staff **	2
Information ***	1
Value for money	3

*Amenities include such things as a restaurant, café, spa, gym, business centre, swimming pool, crèche, concierge.

**Respondents were asked to grade staff in terms of their helpfulness, enthusiasm and knowledge.

***This refers to the information about the hotel provided in rooms, and about sites and attractions in the region.

Vanessa Schultz has called a meeting which will be attended by members of the Guest Relations and Marketing Departments. This is the agenda for the meeting.

1 How can the Al-Munir Group make guests feel 'special' and 'highly valued'?

2 What can the group do to a) reward loyal customers, and b) persuade guests who have stayed once to return?

3 What can be done to make staff more motivated and customer-orientated in their approach to their work?

4 What questions should the management be asking in order to gather information for an accurate, up-to-date profile of each guest? For example: How did the guest find out about the hotel?

5 How can the group maintain its relationship with guests once they have left its hotels?

6 What other actions can the group take to improve customer loyalty, increase the average scores in the next customer satisfaction survey and get back its four-star rating?

Task 1

Work in small groups. You are members of either the Guest Relations or Marketing Departments.

Task 2

Prepare for the meeting by discussing each item on the agenda. One of you should lead the discussion and note down your ideas.

Task 3

Meet as one group. One person should play the role of Head of Guest Relations. Share your ideas on each item of the agenda. Agree on the action plan which you will present to the board of directors of the Al-Munir Group at their next meeting.

Case 30 Kensington United

A major English football club needs to agree a new sponsorship deal to ensure its continuing success

Background

Kensington United is one of the great success stories in English football. Today, it is in second place in the Premier Division and has reached the third round of the European Champions League competition. The club regularly attracts over spectators at its home matches, and its Italian manager, Marco Conti, is adored by fans. Kensington United is also a commercial success and is very profitable.

What has brought about its success? Firstly, Marco Conti had a clear strategy for the team from the start. He developed young players who had come through the club's youth training scheme. The team was also strengthened by one or two carefully chosen foreign players.

Current situation

Kensington's current four-year sponsorship deal with an insurance company is about to finish. Ingrid Tauber, the club's Commercial Director, is considering a new and better deal with Universal i Communications pic, the powerful media group. It is not only the increased money from

sponsorship which appeals to Kensington United, however. Universal Communications' broad range of business activities would offer many other opportunities to increase revenue.

Universal Communications is interested in Kensington because the club's success has brought it over four million fans in the UK and 40 million in Asia. Kensington played a friendly match recently in India, which was shown on television. Another friendly match in China attracted a TV audience of over 250 million. The team's popularity in those countries would help Universal Communications to;

Representatives of Kensington United and Universal Communications are meeting shortly to discuss a possible sponsorship deal.

Task 1

You are members of the negotiating team of either Kensington United (Role card 1) or Universal Communications (Role card 2). Read your role card and prepare for the negotiation. Work out your objectives, priorities, strategy and tactics. Think carefully about what concessions you are willing to make. An agenda has been prepared (see below).

Task 2

Do the negotiation.

Agenda

Date: 10 May Time: 10 am

Venue: Conference room, Kensington Football Ground

- 1 Total value of the contract
- 2 Timing of payment
- 3 Advertising
- 4 Control of players and club activities
- 5 Control of spectators
- 6 Official supplier of Kensington football boots
- 7 Other commercial opportunities
- 8 Fringe benefits for players
- 9 Other points

Role card 1

Kensington United negotiating team

There are two other companies interested in sponsoring the club if the negotiation with Universal Communications (UC) fails. However, UC is an international company, with excellent management and a high profile in the business world. You want:

A four-year contract

The contract should have a total value of €80m. €40m should be paid within the first year, as you need money to enlarge the stadium's seating capacity, introduce sophisticated surveillance technology and hire more staff for crowd control.

Limited advertising

Advertising of UC at the club ground should be limited. You want the ground to keep its identity and intimate atmosphere. Too much UC advertising could upset the fans.

Limited promotion by players

Players' appearances and promotional activities should be limited to 10 days a year. Too much time doing promotion work affects performance on the field. If the team fails to reach the final of the European Cup though, you could increase players' availability by five days.

Crowd control at home matches

You are working actively with the local police to deal with the problem of hooliganism at home matches.

An additional payment

UC should pay an additional €16m towards the cost of buying one or two star players. Marco Conti says this is essential to Kensington's success in the European Cup.

Diversification into other areas

You have contacted baseball clubs in the United States. Two US clubs have agreed to play a competitive match at Kensington's stadium during the summer. This will greatly enhance Kensington's image.

A deal with a football boot manufacturer

You want to make a deal with Sprint plc, a football boot manufacturer. Sprint has developed an innovative football boot which gives players greater speed. It has offered Kensington €5 million to sponsor the product.

Perks

Try to get as many perks as possible from UC – for example, €20,000 for each goal that a player scores over his individual target of 20 goals. Also, free cars for players, memberships to clubs, etc.

You can offer UC:

- the advantage of being linked to the most exciting young team in English football;
- the opportunity to work with one of the best managers in the Premier League;
- the benefit of working with a brilliant Commercial Director, Ingrid Tauber;
- the possibility of becoming better known throughout Asia;
- the use of a hospitality box, with space to seat 10 people.

Role card 2

Universal Communications negotiating team

Your negotiating objectives are listed below. Keep them in mind when you plan your strategy and tactics. You want:

A four-year contract worth €50m

In addition to €50m in sponsorship, you could offer Kensington (KU) an additional €20m if the club wins the European Cup. Decide how much you wish to pay each year and when payments will be made. If KU play badly and have to drop down to the next division, the sponsorship deal should be renegotiated.

Maximum advertising at the football ground

- Four huge billboards advertising the company at the sides and ends of
- The ground
- The company's logo on flags at all entrances
- The main stand to be renamed 'The Universal Communications Stand'
- The company's name on the surface of the pitch (playing area)

Maximum promotion by players of KU

- Players wear the company's logo on their shirts.
- The team's shirts and shorts should have blue and black stripes – UC's corporate colours.
- The two top goal scorers should do a minimum of 25 days' promotional work a year for UC (other players 15 days).

Crowd control

KU is totally responsible for controlling spectators at its home games. Any investment in crowd control should be paid for by the club, not UC. If

there is any serious disorder in the crowd, the club should pay a penalty of €1 million to the company for each incident.

Approval of Kensington's new ventures

If KU wants to diversify into other businesses, UC should be consulted. The new ventures must be in keeping with the company's image.

Cancellation of Kensington's deal with Sprint pic

You have learned that Kensington plans to make a sponsorship deal with Sprint pic, a football boot manufacturer. You insist that their players must use the football boots made by a small firm you have just bought.

Use of a hospitality box

Two hospitality boxes at the ground should be provided for the exclusive use of UC staff and guests. There should be space for at least 30 people.

You can offer KU:

- a sponsorship package worth €50m;
- good exposure in China and India because of the group's strength in those countries;
- perks, for example:
 - a car with the company logo on it for all first-team players
 - free travel to holiday destinations
 - cheap loans for apartment/house purchase
 - media training courses for players to improve their presenting and interviewing skills
 - financial help for older players to attend coaching courses or obtain academic qualifications;
 - a financial contribution of €5 million towards the cost of a new player.

Case 31 Breaking the Ice

Background

When Unilever, one of the largest consumer products companies, made a bid to buy Ben and Jerry's, the trendy ice cream maker, Ben and Jerry turned down the offer. The companies were too different, they said. Social responsibility and creative management were the hallmarks of their business philosophy. Unilever was a major multinational with a traditional

corporate culture, whose main goal was to make a profit. This, they felt, could never mix with their concept of 'linked prosperity', where the community also profits from business success. And the then CEO of Unilever, Nail FitzGerald, felt that if they could get together and talk, they could find common ground. They could then build on that personal relationship and finally make a corporate alliance, which would benefit everyone in spite of what appeared to be corporate culture differences.

CEO profile

Jerry Greenfield and Ben Cohen were born in Brooklyn, New York, in 1951. They met in junior high school and Jerry remembers that he and Ben were two of the wildest students in their school.

They founded their ice cream company in 1978 in a renovated gas station in Burlington, Vermont, with a \$12,000 investment (\$4,000 of which was borrowed). Ben and Jerry have been recognized for fostering their company's commitment to social responsibility by the Council on Economic Priorities, as they donate 7.5 per cent of their pre-tax profits to non-profit organizations through the Ben and Jerry's Foundation.

Ben and Jerry are active members of the Social Venture Network and Businesses for Social Responsibility. They also serve on the board of Oxfam America.

CEO profile

Unilever was created in 1930. It is now one of the largest consumer products companies with sales in excess of \$50 billion, and operates in 88 countries around the globe.

Nail FitzGerald, the CEO until 2004, was born in 1945 in Ireland. He was a child of the 60s, 'with hair down my back, drawn to hippy culture of make love not war', he remembers. At University College Dublin, he joined the Communist Party. 'I am a practical left-winger', he says. 'I was taught that to change the world, you must get to the top and do it from within.'

As head of Unilever South Africa, he insisted against opposition, on unsegregated facilities. Not only aware of the debate on corporate social responsibility but sincerely engaged in it as well, he was behind Unilever's funding of hospitals in Vietnam and schools in Ghana and many other parts of the developing world.

Task 1

Work in groups and discuss the following questions:

1. Who are Ben and Jerry? What are their backgrounds?
2. What company did they found?

3. What are the social priorities of Ben and Jerry's company?
4. Who is Nail FitzGerald?
5. What company is he the head of?
6. How did Neil start his career?
7. Did Unilever carry out any social responsibilities?

Read the profiles and make the list of similarities between the people involved and their companies.

Task 2

Using your list, think of five things Nail FitzGerald could say to Ben and Jerry in order to break the ice. How do you think Ben and Jerry would respond in each case?

Task 3

What concessions and compromises do you think Ben and Jerry would ask for? How do you think Nail FitzGerald would respond? Is it possible for two companies with seemingly different cultures to merge and work together, if the CEOs have a lot in common?

Decision

Now read the following quotes and extracts from press releases about the alliance between the two companies and discuss them.

'I got straight onto plane with a rucksack full of all the good things we do on the environment and safety and in the community and I went to Vermont to see them. I said: "Your choice is you can do your little thing in Vermont or you can be part of us and we can do it everywhere."

Nail FitzGerald

'Not only will Unilever continue to donate 7.5 per cent of Ben and Jerry's operating profits to charity, but it will use Ben Cohen and Jerry Greenfield to help to design its social policy.'

Unilever PR Manager

'Neither of us could have anticipated twenty years ago that a major multinational would someday sign on, enthusiastically, to pursue and expand the social mission that continues to be an essential part of Ben and Jerry's and a driving force behind our many successes. But today, Unilever has done just that. We hope that, as part of Unilever, Ben and Jerry's will continue to expand its role in society.'

'Under the terms of the agreement, Ben and Jerry's will operate with an independent board of directors, which will focus on providing leadership for the social mission and brand integrity of Ben and Jerry.'

Ben and Jerry

Write it up

Write a memo from Nail FitzGerald to the staff of Unilever informing them of the decision, and why it was taken (100–150 words).

Remember that the word memorandum or memo for short, originally meant a reminder or confirmation. Now it has become a very common form of business communication used for a wide variety of messages exchanged between people working in the same organization. A memo usually focuses on only one specific topic like:

- a) conveying information,
- b) requesting information,
- c) giving instructions,
- d) recommending options.

When writing memos, you should follow the standard format. The following components are usually included: date, name of the person the memo is addressed to, name of the person sending the memo, subject matter, introduction to the subject matter, main points, conclusion (often recommendation), closing (the name of the person sending the letter).

Case 32 Tests Crisis

Background

Infineon is an international semiconductor manufacturer which manufactures semiconductor chips at its five factories in Europe and its plant in Asia. Each Infineon plant traces incoming orders and then plans its production. All the chips are tested internally at each site before delivery.

At the monthly production meeting at the plant in France, managers are worried. It looks as if they have identified a serious problem they could impact on deliveries. Production levels will have to be increased during the coming months to deal with the increase in orders, but that is not where the problem lies. It is with the testing equipment. The planning and supply chain managers and quality controllers can see quite clearly that they will not have the capacity to test the increased production with their existing machines. They have five months before the situation becomes critical. During that time they must find and implement an effective solution.

An emergency meeting has been called to decide what action to take and to set up a project group to deal with the implementation. The four managers who will be attending the meeting are each going to propose a solution and they will then decide together which solution should be adopted. They will then set up a project team and fix the objectives.

Task 1

Read and prepare to present the arguments of four managers that you will use in favor of your solution. Assume similar costings for each solution.

a. One option is to purchase and install testing machinery at the factory in France to handle the additional production. You have estimated that you would need between five and six new machines. You are sure that they could be delivered within three months and installed in one or two weeks.

b. You think that a good long-term option would be to use an outside company and to conduct all testing externally. You know that there are several organizations that could do the work for you. Infineon would have to pay a fixed rate for each item to be tested. In addition to that there would be a set fee for reserving test capacity – in other words, Infineon would have to pay even when they had no need for the extra testing capacity.

c. You are in favor of setting up a new, centralized testing plant that would handle all the testing for all the Infineon plants. The advantage would be that all testing could be planned centrally and coordinated with the other plants in the group. You do not yet have a precise figure for the investment that would have to be made to build, to equip and staff the new facility. This will require further research.

d. Since all the existing factories have their own test equipment you think that it should be possible to introduce a new process whereby products to be tested could be ‘offloaded’, or sent, to another factory which has available excess testing capacity. This would require standardization of test procedures across the group, development of an information system to transmit data to the relevant production plants and the setting up of the transport and logistics.

Task 2

Hold a meeting with your colleagues. Take turns to present and discuss your solution. Then, as a group, agree on the course of action that you would choose and appoint a project manager to implement the solution.

Task 3

Answer the following questions:

1. What are the major responsibilities of a project manager?
2. What immediate tasks will the appointed project manager of Infineon have to solve?

Decision

Read and discuss what Oliver Heller, the appointed project manager, said on the problem:

'Well, in this case we really had to move very quickly. There was no way that we could deliver that hadn't been tested to our customers. So the priority was first to determine which solutions were feasible in the time we had available. That eliminated the option of building a separate building plant, simply because there wasn't enough time to complete it. The three remaining options were all equally feasible. So then it became a question of choosing the solution that would be the most cost-effective. In fact, the one that was selected was 'offloading' testing to the factories that had excess capacity, and that was chosen mainly because it would be cheaper for the company and it would also be a solution that could be used systematically whenever the same problem occurred at any of the plants. I was a project manager and that was my job for the next six months. It was a lot of work coordinating all the different factors, but in the end it worked out fine and we still use the system today. For me, it taught me the most obvious solutions are not, in fact, always the best. Because, of course, we could have just gone and bought testing machines and installed them directly.'

Write it up

Write the minutes of your meeting to circulate to senior management. Remember the following: at every business meeting someone is assigned 'to take the minutes'. The person notes down all the important points made at the meeting and later writes up a clear summary of what was said and decided. It is generally agreed that the minutes should be sent within 24 hours to all the participants and anyone else affected by the content. This ensures that people stay focused on the issues raised and keep future actions points clear in their minds. Minutes are sent to make sure that things discussed at meetings actually get done.

When writing minutes, you should follow the standard format. The following different components should appear on the page:

- a) subject and date of the meeting,
- b) list of participants,
- c) summary of the chairperson's introduction,
- d) summary of opinions and suggestions exchanged,
- e) action points decided upon,
- f) people assigned to each action and deadlines given,
- g) date and time of the next meeting.

The style of language is quite formal. Sentences should be short, clear and concise. It is important to summarize only the most important points, not including everything that was said.

Long speeches made at the meetings should be summed up, using bullet points for clarity. The minutes of even a long meeting shouldn't be longer than one page.

Useful phrases: *b. present: followed by a list of participants; c. Mr X opened the meeting with the following points; d. Mr Y was the first to speak/react/contribute, Mr Z disagreed/expressed concern/argued/insisted; e. the following action points were decided upon: Mr A will look into, Mr Z will speak to ... before the 15th, Ms Z will come to the next meeting/send the report/research/draw up/calculate, study ... by the end of next week.*

Case 33 Leading the Team

Background

Peter Drumand is the team leader of a group who were briefed to come up with ways of improving customer communication at Walton's department store. After three weeks of information gathering and meetings the team made the following recommendations:

- a) extend telephone coverage by one hour per week, to answer more enquiries
- b) update webpage at least once a week
- c) research further the idea of holding store meetings to answer customer questions directly

Peter feels sure that these are good ideas but fears the management will not approve them because they are costly. He cannot decide whether to present the ideas to management or not.

Task 1

Discuss the following arguments. Which ones do you agree/disagree with?

a. Peter shouldn't present the team's recommendations to the board as final. A team leader should never let his/her team make an obviously bad decision. He should protect the team and the departments' reputation by asking for more time.

b. If cost was a concern, the team ought to have been told at the beginning. It is Peter's responsibility to admit that he is at fault for not

briefing the team properly, and he should ask for a new deadline so they can find other, less expensive proposals.

c. On the basis of shared information, the team developed reasonable, specific recommendations for improving customer communications. Peter should present these recommendations and suggest developing a budget for them.

Task 2

Decide what you think Peter should do.

Task 3

Discuss the conclusions you have reached with another pair. Work together as a team to make a joint decision about what Peter should do and say. How do you think management will react?

Decision

Read and discuss what a business consultant says about possible Peter Drumand's actions.

"Well, actually, I think it is pretty evident what the team leader should do in cases like this. Team leaders should be very cautious about judging a team's decision. If the proper process was followed and team members are behind the decisions and results, then the team leader should present the findings as just that: the team's decision. Of course, the parameters of the task should have been shared fully with the team at the beginning. This wasn't the case, but under the circumstances, the team offered seemingly practical ideas. In fact, you know what, presenting the team's ideas would have been a perfect example of leadership! Who knows, management may even have approved a budget for the team's suggestions.

Ideally, the leader should focus on the aims of the brief and provide resources to help the team achieve those aims, but shouldn't influence the team's decision-making or, worse, make decisions for them."

Write it up

Write a memo from Peter to the management explaining what he has decided to do, and why.

Remember that memo styles vary across cultures though there are basic rules for memo writing. The opening is more direct and less formal than in a letter or email, with no greeting such as *Dear ...* and memos usually start with the introduction to the main points. The closing is generally just the initials of the sender.

Memos are less formal than business letters so the tone is neutral and the language simple.

Sentences are usually short and clear, but not brisk and bossy. Memos often conclude with a request for action.

Useful phrases might include:

a) giving information: *you will be happy to hear/we are delighted to inform you/I would like to remind you that/I have recently been informed ...*

b) requesting information: *I would like to have/ can you provide me with/ if you have any questions, please ...*

c) giving instructions: *Please read/ we kindly request/make sure that/ ... is permitted only ...*

d) recommending options: *it is recommended that ... / it is in the best interests of .../having considered all the alternatives, I suggest ...*

Case 34 Spying on Staff

Background

DigitalVision is a US multinational corporation that has subsidiaries in different parts of the world. New US legislation makes it obligatory for public companies like DigitalVisions to give their employees access to an internal financial hotline. Employees can use the hotline to communicate information anonymously if they suspect or are aware of financial misconduct. However, some companies may be encouraging use of the hotline to obtain more general information about their employees.

The European subsidiary of DigitalVisions has just received an email copy of the document which outlines how the proposed hotline will be used. One part of the document reads as follows:

'All members of staff who wish to communicate sensitive information via the new hotline can do so anonymously. However, the company reserves the right to use this information as the basis for further investigation where and when this is considered necessary.'

A copy of this email has been communicated to the press, and employees and trade union representatives are calling for a demonstration against the proposed hotline. The company has decided to organize an emergency meeting to discuss the situation and try to resolve the crisis before it leads to further deterioration of the company's image in the local and national press. Attending the meeting will be: Director of Information and Public Policy (USA), Director of the European subsidiary, Representative of the Trade Union movement.

Task 1

Discuss the given information.

Task 2

Read the arguments of the directors and Trade Union representative. Prepare a short list of questions to ask about their positions in relation to the hotline.

Director of Information and Public Policy: You represent the US parent company. For you the situation is clear: DigitalVisions has to comply with the new legislation and therefore all employees within the group must accept the new procedures. All employees of the group will be entitled to use the hotline to communicate the information about misconduct or alleged misconduct. As far as you are concerned, this will be an advantage for the company as a whole as it will allow senior managers to detect problems that could eventually lead to litigation and prove very costly. It is in everyone's interest to accept the proposal for the hotline, which, in your view, will soon become the standard procedure in all major business organisations.

European Director: You were not informed of the exact text included in the directive that has been sent to the European subsidiary and neither you nor any member of your management team was consulted. The decision has been imposed on you from above. Your feeling is that it will prove to be a source of conflict among employees, managers and colleagues and may in fact create more problems than it solves. You are in favor of launching an extended discussion phase during which negotiations can be conducted between the different stakeholders to reach consensual agreement.

Trade Union representative: You and your members are unhappy with a proposed code of conduct. You consider that the text of the document constitutes an invitation to employees to communicate confidential/private information about their colleagues. This is not only morally unacceptable; it is also in direct contradiction to the employment laws of several European countries where DigitalVisions operates. In your view, any accusation made against a fellow worker must be backed up by evidence to support the accusation and the person accused must be informed of the accusation and given an opportunity to defend themselves.

Task 3

Hold the meeting and present your arguments on behalf of different sides. Ask the questions you have prepared. Reach an agreement about the best way to deal with problems that the hotline is causing.

Decision

Read to what Paola Orsolani, a legal specialist, has to say about the dilemma facing DigitalVisions.

“This is not an isolated example by any means. DigitalVisions is facing exactly the sort of dilemma that many major corporations are finding themselves in today. And it’s an extremely complex one with no easy solution. On the one hand, there is a law made by one country which happens to be the home of many multinational businesses. And corporations can’t afford to ignore that law without taking considerable risks. But on the other hand, there is the whole question of whether or not a company can, or indeed should, impose a law on employees in another country when the law directly contradicts its own national labor legislation. So, it raises some difficult questions: Is a company entitled to know everything about its employees and their behavior? How will it use this information? A lot of people are starting to say that, yes, companies should have this information. Indeed, some businesses probably already do have it. Remember that 75 per cent of companies in the US now have some sort of employee surveillance system – IT or camera. So, my feeling on this one is that it is a question that will evolve very quickly and that will be resolved at the highest levels of government. So, for me, the problem for DigitalVisions has to be solved over a period of time – they can’t just impose a solution on their staff like this. I think they should definitely not install the hotline in countries where it meets with serious opposition. What they have to do first is to open negotiations with staff and their representatives and try to reach an agreement on how the hotline should be used.”

Write it up

Write a short report, summarizing the situation and outlining the conclusions reached by the group.

Remember that short reports are used to summarize information that has to be communicated to people inside or outside an organization. They are designed to provide an overview which can be read and assimilated quickly. Many different subjects can be presented in a short report and some of the most common types of short reports are project/progress reports, business proposals and summaries of research or results. Although the length of a short report can vary depending on the amount of information and commentary that it contains, most short reports will be between one and six pages long. They should be clearly structured so that the reader can find the relevant information quickly. Short reports may

also include graphic materials which are often used as the basis for an oral presentation.

The layout includes title page which indicates the subject that is being dealt with, in large font, with the name and position of the author of the report clearly indicated at the bottom of the page, together with the date of its publication.

Summary gives a concise presentation of the report, the reasons for writing it, the most important information it contains and a general idea of its main findings. For a short report this can be simply one or two sentences.

Introduction presents an overview, showing why the report was written and how it has been constructed.

Development section includes the main body of information which may be divided into several subsections.

Conclusion presents the results of the report. This might take the form of recommendation for future action or draw the reader's attention to problems that need to be addressed.

Case 35 Turning Ideas into Reality

Background

The National Endowment for Science and Technology Agency (NESTA) was set up to maximize creativity and innovative potential. They give financial backing in the form of grants and loans as well as advice on production and marketing strategies to organizations with new technological inventions. They are less interested in short-term results than other providers of capital and they consider the social and cultural value of products to be as important as the long-term commercial value.

Task 1

Read the descriptions of the applicants for a NESTA grant below. Discuss the merits of each product in terms of: innovative potential, long-term returns and the social and cultural impact of technology.

Applicant A: "UTDR Research has developed a machine which can recycle tyres in an environmentally-friendly fashion. It also converts the waste into marketable byproducts, which can produce revenue for the business. At present, 190,000 tons of waste tyres in landfill sites or official dumping grounds are, among other disadvantages, under constant threat of unmanageable fires."

Applicant B: “Nanosight has developed a way of synthetically reproducing a version of what happens when the body first detects a virus, using computer and microelectronic technology. This technique is not limited to bio warfare viruses but can speed up drug development and dramatically reduce costs for pharmaceutical companies.”

Applicant C: “Camfed have come up with a revolutionary invention in optics, which will lead to the production of energy-efficient, low-cost, high-performance displays and ultimately home cinemas and TV. To date, displays have been either thin and expensive or space-consuming and cheap.”

Applicant D: “Hypertag Ltd wants to produce interactive mobile multimedia technology. Their technology uses hand-held computers which, when pointed at an electronic device near an exhibit at a museum or art gallery, can offer lots of relevant information including text, video, pictures and sound.”

Task 2

As members of NESTA committee that awards grants, decide which product your group would choose to back, and develop your own arguments as to why this technology is of particular importance. Prepare to present your views to the committee.

Decision

Read what applicant NESTA decided to choose to back.

“NESTA invested £70,000 in UTDR Research. A spokesperson from NESTA said, ‘We are committed to supporting innovative ideas that can help to build a greener, more sustainable future. The UTDR team have found a novel way of dealing with a growing environmental problem and we are delighted to be providing the seed investment to help them to develop their tyre disposal system at this crucial stage of the project’.

Hypertag Ltd received their first financial aid package of £80,000 in 2004 to develop the technology. The Brooklyn Museum launched the ‘pocket museum’ in October 2004. NESTA said, ‘These are exciting times for Hypertag, who have developed a technology that is so attractive to so many markets. It is great that a major US museum has the potential for using it for educational purposes.’

Nanosight received £100,000 investment from NESTA. Mark White, director of NESTA, said, ‘We are delighted to be investing in this early stage of an idea which applies technology to areas which could have huge social benefits such as defense against the ever-growing threat of bioterrorism.’

Camfed received an investment of &150,000 from NESTA to help them to develop the prototype of their technology to engage major corporate customers. The market for consumer displays is huge. Sales are projected to exceed &10 billion by 2009.”

Task 3

Discuss the decision of NESTA. Do you completely agree? Present your own chosen product and say why it is the most worthy.

Write it up

Write a press release announcing the winning product. Remember that press releases or news releases are documents that are prepared by the Public Relations departments in order to communicate information to the media. Most press releases are of two types: those that inform people about changes (new products, company results and etc.) and those that try to influence people to adopt a particular point of view (reports, speeches, negotiations and etc.). The basic format for a press release is similar to that of a short article. Any press release should provide the answers to the questions *who? what? when? where? how?*

Case 36 Danger Zone

Background

The marketing team of Wonder Image Inc. are about to launch their latest action video game, Danger Zone, using a series of striking TV commercials with real actors.

The first commercial takes place in an underground car park, where we can see the silhouettes of three people moving in semi-darkness. Then there is a sudden blinding flash as a gun goes off and a young man is heard saying, ‘This is where I met two strangers – and I didn’t want to meet them again.’ The storyboard for this commercial has been shown to two sample groups – a group of target consumers (12-25-year-old males) and a representative group of older viewers. The reactions of the first group have been extremely positive, but in the second group several people have expressed concerns that the commercial will be too extreme. The marketing team are worried: if viewers complain to the government’s Advertising Standards Committee, there is a chance that the commercial could be banned and the launch would be endangered.

Task 1

Imagine that you are the members of the marketing team and you now have to decide what to do about the launch of Danger Zone. Among the options that you can consider are the following:

- a) cancel the first commercial and delay the launch until a new storyline can be developed (you can suggest ideas for this)
- b) contact the ASC to see if the commercials can be shown after 10:00pm
- c) go ahead with the launch of the campaign without changing anything
- d) radically alter the campaign and/or choose an alternative method of advertising the game

Task 2

Present your ideas about the launch.

Task 3

Review the solutions proposed and agree on the one that the class thinks would work best.

Decision

Read and find out what happened with the launch of Danger Zone.

'Following the release of its new adventure game Danger Zone, the video manufacturer Wonder Image Inc. has been asked by the ASC to withdraw its first TV commercial in support of the launch. The advertisement, which was first shown last week on national television, sparked a storm of protests from viewers and parents' associations. Bill Bradley, the director of the ASC, explained that the decision to ask the company to withdraw the commercial was taken because of its 'offensive nature': 'The ASC guidelines specify that all advertisements should be in good taste and should on no account promote violent behavior – which unfortunately was not the case with the Danger Zone commercial.' A spokesperson for Wonder Image Inc. said that the decision by the ASC to ban the commercial was 'an exaggerated response to an original and creative television campaign'. The launch of Danger Zone will proceed as planned but without the support of the television campaign.'

Write it up

Write a fax to send to the advertising agency informing them of your decision. Remember that despite the widespread use of emails today, the fax still remains a preferred means of communication for various business functions in a large number of cultures throughout the world. Faxes are

sent in numerous situations – to place ad and confirm orders/bookings, make and answer enquiries, request and confirm payment, request action, give orders, etc.

Faxes are also used to send documents such as fliers, prospectuses, invoices, order forms and other business documents. In many cases, documents are faxed first to save time, and the original and/or legal document is sent by post later.

When writing faxes you should follow the standard format. Faxes could include the following possible components: letterhead, name of the person who will receive the fax, name of the person sending the fax, sender's fax number, date, total number of pages, opening, body of the fax, closing and signature.

Faxes can be formal and semi-formal depending on their context and form. They can take the form of business letters or emails, or be in note form like memos. The style of language used should be adapted to each situation.

Case 37 Beauty and Business

Background

Glow Industries was born when Terry Williamson, an experienced Californian businesswoman, decided to start her own company specializing in beauty products and perfumes. Terry launched a very successful line of products under the 'Glow' name, which she sold from her shop in Hollywood. Two years later, she discovered that hers was no longer the only company selling beauty products with the 'Glow' name. Jennifer Lopez was launching her own line of beauty products: "Glow by JLo" through Sweetface Fashion. Terry immediately decided to take legal action against Sweetface Fashion to stop it from launching its products on the market.

For both businesses, the consequences of prolonged legal action could be serious: Glow Industries may lose its access to the mass market and Sweetface may have to review its international plans. What should they do?

Task 1

Before further legal action is taken, lawyers representing the two companies have agreed to meet to see if they can reach a negotiated settlement. Read the guidelines for the negotiation and discuss the stances of the parties. Then prepare a possible list of objectives for the negotiation.

Sweetface: The annual turnover of the company is \$100 million. The legal conflict could delay long-term plans to expand the brand. Would “Glow Industries” be prepared to sell the business and the rights to the name? At what price? How much compensation would they ask for? If “Glow” refuse to sell, you can threaten to take further legal action against them as you have recently acquired a company that also uses the “Glow” name but which registered it before either Sweetface or Glow Industries were set up. You could sue Glow Industries for using the name.

Glow Industries: Annual turnover is \$2-3 million. Further legal action could be extremely expensive and your budget is limited. Your plans to sell through major supermarkets may be compromised. It might be possible to sell the company and the rights to Sweetface Fashion. Would they be interested? At what price? How would Sweetface compensate you for the effort in establishing the name “Glow” and for the loss of business? If you win your case, you would receive a significant share of the profits made by Sweetface.

Task 2

Meet and conduct negotiations.

Task 3

Discuss the outcomes and possible consequences of the negotiations.

Decision

Read what David Schapiro, a business lawyer, has to say about the case.

‘This is a classic dilemma. Here we have two companies that had actually both successfully launched their businesses in more or less the same sector. The similarities probably end there, too, because on the one hand you have Glow Industries, which is a start-up, and on the other you have an international organization with connections to some very big players in the beauty business. So big money meets small money, if you like, because Glow by JLo has \$100 million in annual revenue and GLo Industries just two or three million.

The problem is that neither of the companies is in fact the first to register a trademark containing the word ‘Glow’ because other businesses are already selling products under similar names. And this is also where it gets even more complicated: because when Terri took legal action against Sweetface, they responded by buying a stake in one of the companies that was already using the name ‘Glow’ and then what they did was to counterattack, accusing Terri herself of stealing their name. But that

generated a lot of negative publicity for Glow by JLo, and eventually the two sides reached a settlement. There are no details of exactly what that involved but Terri Williamson agreed to change the name of her products – so there is every reason to suppose that she received substantial compensation.'

Write it up

Write a short memo to your staff informing them of the outcome of your negotiation.

Useful phrases might include:

a) giving information: *you will be happy to hear/we are delighted to inform you/I would like to remind you that/I have recently been informed ...*

b) requesting information: *I would like to have/can you provide me with/if you have any questions, please ...*

c) giving instructions: *Please read/we kindly request/make sure that/... is permitted only ...*

d) recommending options: *it is recommended that ... /it is in the best interests of .../having considered all the alternatives, I suggest ...*

Case 38 The Two Faces of Burberry

Background

Burberry, 'the original British luxury brand', launched its first logo in 1900 and registered the signature check pattern as a trademark in 1920. It was an established luxury brand for wealthy middle-class conservatives for several decades, but sales declined in the 1980s as the brand began to appear old-fashioned. Then in the 1990s, CEO Rosemary Bravo revamped its image, repositioning the Burberry brand in line with its luxury and exclusive heritage. Ads were designed to depict the essence of the 'new' Burberry, giving a modern feel combined with classic British elitism. This marketing strategy reached the intended target, and even Prince William has been seen at many events wearing Burberry. However, the brand has also become popular with hip-hop artists and football fans. The question now being asked by business analysts and journalists is: "If Burberry embraces the new audience, will they lose their core customers?"

Task 1

Read below the options open to brand facing this type of positioning dilemma and discuss which ones you agree/disagree with. Can you think of other arguments?

The case for extension:

- a. Increased sales from the 'unintended' market are doubling turnover.
- b. Our brand is ranked eighth on American Brandstand for 'most mentioned brand' in popular song lyrics.
- c. We should recruit hip-hop artists whose fans are already brand enthusiasts, to endorse the brand officially.
- d. Young customers will stay loyal to the brand throughout their lives, while sales to ageing traditional target customers will fall off.

The case against extension:

- a. We should ignore these new customers and reinforce the 'traditional and classical' image.
- b. A British newspaper has run a potentially damaging article about 'design hooligans', describing the bad behavior of British football fans who were wearing designer brands.
- c. Fashions change quickly in the world of hip-hop and rap. We should concentrate on our loyal customers, who don't change brands as easily.
- d. If young, less wealthy people buy our brand, it should be for the same reasons and for the same brand image as our core customer base.

Task 2

You are the marketing manager of a company facing a similar dilemma. Decide which action the company should take. Prepare fully-developed arguments after reading the notes and be ready to present your arguments at a meeting:

Clearly Chic are luxury handbag maker facing a similar dilemma to Burberry's, but with the added problem of cheap fakes of their most expensive models now flooding the market. Some people think the way to deal with the problems is to produce cheaper, more accessible models to a) encourage the new, trendier customer base and b) compete with counterfeit goods.

The case for extension:

Sales up

New target

People will only buy fakes if no extension

New price strategy needed to compete with fakes

New marketing strategies to exploit new target could be

Present target getting old

The case against extension

Sales increase only temporary

Young target influenced by trends

Risk losing loyal customers if ...

Risk losing brand image if ...

Cheaper versions give credibility to fakes

Need to reinforce notion of quality to beat fakes, not the contrary

Task 3

Hold a meeting and decide which course of action the company should take.

Decision

Read and discuss what a brand asset manager thinks about the issue.

‘This is a tricky situation indeed, though not unusual. Managing success in the luxury brand business is almost as difficult as getting to the top in the first place. With the sales of brands like Burberry increasing as they are, democratization is inevitable. I mean, look at the CEO at Dior – he has tripled sales figures in six years and that shows it is possible to expand a brand and keep it exclusive.

However, the Burberry case is a little more complicated as some of the new brand enthusiasts are famous for bad and even sometimes dangerous behavior – a truly complicated dilemma. I think though, I would have to say they should embrace the new markets. The increased sales aren’t doing them any harm!

And it doesn’t look like the alternative markets are repelling their target customers. Their website does note its “broad appeal” in its “About us” section, even though it only features people who look very wealthy and conventional. For the moment, they seem to be taking the ‘wait and see’ approach. I think they should fully exploit these new market opportunities while they last. But I guess they are too afraid of getting a down market image.’

Write it up

You are the marketing director of Clearly Chic. Write a memo to all the staff and informing them of the decision that has been made concerning their present dilemma and explaining why this decision has been taken.

Remember that memo styles vary across cultures though there are basic rules for memo writing. The opening is more direct and less formal than in a letter or email, with no greeting such as *Dear ...* and memos

usually start with the introduction to the main points. The closing is generally just the initials of the sender.

Memos are less formal than business letters so the tone is neutral and the language simple.

Sentences are usually short and clear, but not brisk and bossy. Memos often conclude with a request for action.

Useful phrases might include:

a) a.giving information: *you will be happy to hear/we are delighted to inform you/I would like to remind you that/I have recently been informed ...*

b) b.requesting information: *I would like to have/can you provide me with/ if you have any questions, please ...*

c) c.giving instructions: *Please read/we kindly request/make sure that/ ... is permitted only ...*

d) d.recommending options: *it is recommended that ... /it is in the best interests of .../having considered all the alternatives, I suggest ...*

Case 39 Your Money or Your Reputation?

Background

Two young Californian entrepreneurs, Steven Evans, a successful businessman, and his younger brother Max, a recent MBA graduate, have just inherited the family fortune and have decided to invest in the manufacturing sector. They plan to supply the European and US screen market with mass-produced, blank T-shirts. Their rivals include giants like Fruit of the Loom, but they feel confident there is room for another competitor in this highly lucrative but risky sector. They both agree that their main goal is to establish a successful business as quickly as possible, then sell it and reinvest the profit in other ventures in order to build up a much larger fortune to leave to their own children. However, they have very different ideas on how best to achieve this goal.

Task 1

Read Steven's and Max's business plans and role play a discussion between the two brothers as they explain their business plans to each other.

Steven's business plan

- *set up factories in south east Asia*

a) minimum wage in US \$893 per month + liability insurance + health insurance

b) high staff turnover in US due to monotonous and uncomfortable nature of the job

- *reduce risk of bad reputation*

a) pay more than minimum wage requirement (\$18.53 in Bangladesh and \$63.75 in Guangdong province in China)

b) allow trade unions and make conditions relatively better

- *get a competitive edge*

a) ensure we stay in business by being able to offer highly competitive prices

b) avoid risk, copy successful competitors

- *minimize advertising*

a) informing potential customers of quality to justify high prices would require a large communication budget

b) no guarantees that this campaign would work

c) it will take a long time to make real returns

BETTER SAFE THAN SORRY!

Max's business plan

- *buy manufacturing site based in California*

a) build up an 'ethical employer' reputation and establish a name based on integrity and fairness

b) set up teams to reduce boredom, increase turnaround time and reduce staff turnover

- *maintain control over quality*

a) sell to big, well-known brands, whose fear of consumer lobby investigations into their supplies will convince them to pay more. Many brands have been damaged by negative publicity lately

- *charge higher prices*

a) people will pay more for quality

b) higher profits will offset cost of investing in salaries and conditions

- *invest in advertising*

a) building a good reputation and brand image is a necessary long-term investment. Consumer attitudes are changing – the future is 'ethical clothing'. Competitors will have to do the same sooner or later.

NOTHING VENTURED, NOTHING GAINED!

Task 2

Discuss as a group which business plan has the best chance of succeeding. Prepare to tell the class about both plans, saying which is better, and why. Consider what is: of vital importance to the success of a business; a nice idea but not essential; impractical for the moment.

Task 3

Present your ideas to the class.

Decision

When Dov Charney, the founder of American Apparel, went into the highly risky T-shirt manufacturing business, he famously said, 'We aim to seek profits through innovation not exploitation.' He refused to outsource and instead pays his employees \$12 per hours as well as providing benefits such as healthcare, massages, English lessons and free use of the telephone. He has built up a loyal staff of 1,200 employees and after just six years in business, his turnover reached the \$160m mark – higher than many of his direct competitors who outsource. His success proves that people are willing to pay for quality and do care about corporate image and reputation. He says, 'I make more money than my competitor who pays 50 cents an hour, because of the efficiencies of dealing with someone face-to-face and paying them a fair wage. My vision is to build new economic models and new kinds of businesses that redesign the entire production, supply and distribution process in a way that makes more people happier.'

Write it up

Steven or Max has sent their business plan to your company, looking for financial backing. Write a letter giving your response and the reasons for it.

Remember that formal business correspondence is usually done by letters as this leaves a written record which can be kept for reference. Business letters can be of different types with different purposes: to apply for a job, to inform people of developments, to request action, to make an enquiry, to complain, etc. To write a successful business letter you need to use the right tone and to communicate your message about the organization that he or she is working for. It is, therefore, very important to make sure that the information, layout, style and spelling are all correct before you send it.

When writing a business letter, you should follow the standard format. The following different component should appear on the page:

- a) letterhead/address (but not the name) of writer
- b) name and address of recipient
- c) references
- d) date
- e) opening (Dear Mr/Ms)
- f) subject heading
- g) body of the letter

- h) closing
- i) signature
- j) name and job title
- k) enclosures

Business letters are usually quite formal in style. A conversational style is, therefore, not appropriate and you should avoid contractions, for example. Try to use verbs in the active and not the passive form as this will make your letter more dynamic. You should also avoid writing letters that are too long and that include complicated or unnecessary language. A straightforward letter will get your message across more effectively than a very wordy one. There are certain conventions concerning the correct way to address people and to close your letter.

Case 40 The Power of Money

Background

The World Bank is an international institution which provides loans and finance to countries and governments around the world. The decisions that it makes are particularly important as they provide the guarantee that the other financial institutions need before they agree to contribute additional funding to a new development project.

The Bank is currently conducting a review of its policy on energy. World demand for energy is set to rise considerably during the coming years, and the role of the Bank will be critical in determining how that demand is met. Over the last decade, the Bank has financed hundreds of fossil fuel projects which will substantially increase the levels of carbon dioxide in the atmosphere and accelerate the effects of global warming. The dilemma that the Bank now faces is whether to continue to finance such projects or to change to a radical new policy which would promote cleaner and renewable energies.

The Bank has appointed a special commission to prepare a report that will present recommendations for its future policy in the energy sector.

Task 1

You are the members of the commission, which has representatives from three groups: the energy industry, developing countries and non-governmental organizations. Read the arguments of representatives of different sides. Prepare the arguments that you will present to the commission.

Representative of non-governmental organizations:

- a) the natural resources of developing countries should be exploited in a sustainable and environmentally friendly manner
- b) safeguards on pollution levels for fossil fuel projects (coal-fired power plants, etc.) are not respected and there are inadequate international controls
- c) unrestrained development of fossil fuels will create more problems than it will solve (greater use of vehicles for transport, industrial pollution, urban development)
- d) statistics shows that it is principally developed countries that use fossil fuel energy resources
- e) alternative energy sources must receive World Bank financing as this will help to bring the price down and to make them more cost-effective

Representative of the energy industry:

- a) the world economy needs to meet increasing demand for energy, and fossil fuels are the only available and reliable resource
- b) exploiting these reserves will provide employment and job opportunities around the world
- c) the arguments used by the environmental groups about the effects of fossil fuels on global warming may be exaggerated
- d) renewable energies are not a viable alternative (too costly and unreliable)
- e) providing finance for fossil fuel projects will help to eradicate poverty

Representative of the developing countries

- a) energy resources are vital for economic development
- b) fossil fuel resources can be exploited in a responsible manner. But only if the World Bank is prepared to provide the capital necessary to build plants with low pollution impact
- c) placing restriction on fossil fuel development will prevent developing countries from exploiting their reserves and will increase poverty
- d) alternative energy can be introduced but fossil fuels can continue to be used at the same time
- e) the World Bank has no right to dictate standards of behavior to developing countries

Task 2

A meeting takes place, at which the spokesperson for each group presents his/her view point. Take notes about the proposals that the other groups make.

Task 3

All members of the commission should give feedback and express reactions to what has been proposed. At the end of the debate, agree on an outline of the future policy that you will advise the Bank to adopt.

Decision

The Extractive Industries Review (EIR) has published its recommendations for the energy policy of the World Bank. Far from comforting the vested interests of the major players in the energy industry, the report has openly criticized the Bank for the way it has handled fossil fuel development projects over the last decade. For energy industry executives, the report reads like a nightmare: funding for coal-related projects should cease immediately and financial support for oil production should be phased out entirely within the next ten years. But the report goes further than that and highlights a number of negative effects that have resulted partly from the World Bank's energy policy. The list is a long one and includes environmental and human rights abuses which reveal an almost systematic failure to respect the rights of indigenous peoples and to protect sensitive ecosystems. As part of its recommendations, the commission has advised the Bank to devote 20 per cent of its future loans in the energy sector to the development of alternative energy projects. How much of the report will eventually become established World Bank policy, however, remains to be seen.

Write it up

Write a short report on future policy that the commission will submit to the World Bank.

Remember that short reports are documents that use a formal writing style. They should not contain contracted verb forms *like it'll or don't* but use the full forms of verbs.

The language of the report should be as clear as possible. It is not necessary to use long and complicated sentences or obscure vocabulary. Using simple language in short sentences will make it easier for the reader to assimilate your message.

Try to avoid using the personal pronoun *I* too much. Although it is true that 'you' wrote the report, it will only put your readers off if you refer too often to your own role. Use neutral phrasing instead.

Useful phrases might include:

a) for showing contrast – **however**, *this does not necessarily mean that...*

While *these results may appear to ...*

On the other hand, *it is true that ...*

Although *it is not completely clear from our research ...*

b) showing cause and effect – *this has been mainly **due to** ...*
Consequently, additional data was obtained which showed that ...
As a result of this, it has not been possible ...

c) following on to the next point that you wish to make – *moreover, in this particular case ...*

In addition to this, the survey included ...

Furthermore, we should advise that this would provide an opportunity to ...

Case 41 Which Way to Wall Street

Background

Hi Wire Ventures was the parent company of *Hi Wire* magazine – a popular business magazine for Silicon Valley entrepreneurs and executives. When the internet boom was in full swing, Hi Wire Ventures had big plans: launching new multimedia start-ups and new titles that would position the group as one of the leading interactive media companies. Financing that plan meant taking the company to the Stock Exchange. But it wasn't all going to be quite as simple as Chief Executive and founder Mario Rossini might have imagined.

The company have already been forced to cancel their first attempt at an IPO at the last minute when stock prices started to fall. But now, two months later, Rossini is convinced that the market is ready for the launch. He has found a bank to manage the launch and they have just finished doing the 'road show', a series of sales presentations where professional investors are invited to commit themselves to buying shares. Representatives of the bank and of Hi Wire's senior management team are now meeting to discuss the results and decide on the future of the IPO.

Task 1

Read and prepare the arguments of the representatives of different groups.

Representative of the bank:

The bank has only been able to secure firm commitments of their customers for 50 per cent of the 15 million shares that they are hoping to sell. It is clear that the IPO will not be a success if it is launched at the current price of \$30 per share.

The bank cannot afford to disappoint its professional investors by launching an unsuccessful IPO. There are now three options:

- further reduce both the price of the shares and the number of shares that will be offered for sale
- continue with the IPO under existing conditions
- cancel the IPO for the second time

Representative of Hi Wire senior management

Hi Wire is already committed to a number of new ventures, which they intend to finance with money from the IPO.

At the moment, the IPO is proposing 15 million shares at \$30 per share.

Without this injection of capital, the long-term plans of Hi Wire would have to be modified.

If the bank has not been able to sell the IPO to its investors, you will have to consider the following options:

- further reduce both the price of the shares and number of shares that will be offered for sale
- continue with IPO under existing conditions
- organize the IPO as an internet launch without the support of the bank
- cancel the IPO for the second time

Task 2

Have the meeting and discuss your arguments, then reach a decision about what action to take for the IPO.

Task 3

Each group should prepare a short presentation of the final decision and give their presentation to all the senior managers of Hi Wire and the bank.

Decision

Read what Larry Elgin said about the Hi Wire IPO.

‘Well, I think the whole Hi Wire story goes to show that it is not always that easy to get an IPO right. In this case, first of all, there is the question of how the IPO was organized, and that brings up two problems: the timing and the choice of the bank to manage the launch. For the timing, it was already clear that the internet boom was coming to an end, so the company was entering the market at the worst possible time.

But the real problem was that they were doing that with their stocks priced too high – they hadn’t reduced them at all. Now why they attempted

to do that is also the result of the relationship between the company and its investment advisers. In this case they weren't that compatible: on the one hand, a traditional Wall Street investment bank with very conservative ideas about how to launch a public company and on the other, a young rule-breaking, risk-taking enterprise with very definite ideas. What happened? Well, basically, both sides had overvalued the company, they couldn't sign up enough investors and eventually they had to accept the fact that they couldn't go ahead with the IPO. So it was cancelled for the second time – now that didn't do either of their reputations any good. And remember, on Wall Street nobody ever forgets a failed IPO.'

Write it up

Write a short press release explaining the decision.

Remember that press releases are designed to arouse media interests by presenting interesting and original information that can be used in an article or television report. Ideally, the press release can be included in a publication or report with only a minimum of editing.

The possible layout could include:

- a) a letterhead of the organization,
- b) headline or the title,
- c) an indication of when the information in the release can be published (now or embargoed until),
- d) date when the release was sent, main text divided into paragraphs where necessary,
- e) ### to show the end of the text,
- f) contact details of the person who wrote the release and information about who to contact for further information.

In the mentioned paras you can add in more information about the story and include quotations from some of the people involved.

Remember that press releases or news releases are documents that are prepared by the Public Relations departments in order to communicate information to the media. Most press releases are of two types: those that inform people about changes (new products, company results and etc.) and those that try to influence people to adopt a particular point of view (reports, speeches, negotiations and etc.). The basic format for a press release is similar to that of a short article. Any press release should provide the answers to the questions *who? what? when? where? how?*

Press releases are rarely longer than two pages and they follow a standard format.

Case 42 The Cola Comeback

Background

Parle Ltd is an independent company that produces and distributes soft drinks and sodas, including its best – selling Thums Up cola, on the market in India. Until recently, the company had been protected from outside competition by government regulations which prevented foreign competitors from entering the market.

However, the government has now changed to a free-market policy, and foreign companies are now able to set up plants and distribution networks inside the country. Parle is well aware of the power of the US giants, Pepsi and Coca-Cola. But what can they do to protect their market?

Task 1

You are the directors of Parle and you have arranged a meeting to decide what strategy your company should adopt to prepare Thums Up for the free market. Read and choose to prepare the arguments that you would use to convince your fellow directors to follow your advice:

Director A

You believe that Thums Up has a future as an independent company on the Indian market. In your view, it has various advantages over other western colas: the company is Indian and enjoys a reputation that differentiates it from its future competitors' brands. In addition to this Thums Up has a stronger taste and appeals to a masculine audience who consider it to be revitalizing. You would advise the company to enlarge its distribution network and invest in promoting its brand.

Director B

You think that the arrival of the US cola companies will seriously reduce the market share of Thums Up. In your view, Indian consumers will quickly switch to the western brands, which will be backed up by massive publicity campaigns and sophisticated marketing techniques. You would advise the company to change its orientation and diversify into other sectors such as bottled water.

Director C

You fear that Thums Up will not be able to resist the invasion of the market and that it will be unable to survive in the long term. You think that the company should negotiate with either Pepsi or Coca-Cola to see whether it will be possible to sell the brand to either competitor. You consider it might be possible for Thums Up to negotiate a contract with one

of the companies to become the official bottler of their products for the Indian market. You would use the proceeds to build up the other soft drink brands that Thums Up owns.

Task 2

Hold a meeting and present your arguments.

Task 3

Decide together on the best course of action for the company to adopt.

Decision

Read what Dinesh Madhur, marketing expert, said about the strategy that was adopted for Thums Up.

‘This is one of the classic cola war stories and also a very interesting case for international marketing because it shows how easy it is for the company, even one like Coca-Cola, to get it wrong when they enter a new market. Parle, the owner of Thums Up, actually decided to sell its brand to Coca-Cola, and Coca-Cola imagined that in no time they would be able to get Indian customers to switch to their brands. But that is not what happened, and after several years of poor performance, Coca-Cola’s managers realized that their target consumers actually preferred Thums Up. So they revamped the brand, and today Thums Up is the best-selling cola on the continent.’

Write it up

Write an email confirming the decisions that you have made. Remember that emails are one of the commonly-used forms of communication in the international business world. It is used extensively within companies to circulate information, requests, results, instructions, recommendations, minutes of meetings, etc. Email is an effective, rapid and relatively cheap means of communicating with customers and suppliers, both nationally and internationally. Because of the brevity, rapidity and relative informality of emails, it is important to check that all information has been given and that the tone is appropriate.

Emails are usually shorter than other forms of communication and the language is simple and concise.

The tone for emails to superiors or people outside the company should be formal. But ‘in-house’ emails between colleagues can be semi-formal.

When replying to mails, it is important not to reply simply ‘yes’ or ‘no’ to questions without referring back to the question and not to use pronouns out of context. However, if returning the sender’s email with your reply, by using “Reply”, the sender will have their original to refer to.

Case 43 Reliable Research

Background

LVMH, the company famous for Dior cosmetics and Vuitton handbags, is suing the US investment bank Morgan Stanley for 100m, accusing its research analysts of diving false reports about its financial health. LVMH claims that the bank compared them unfavorably with their biggest rival, Gucci, who is a client of Morgan Stanley, causing the LVMH share price to drop. The bank counterattacked by seeking damages of 10m and the publication of judgement, if it was in their favor, in 20 magazines and newspapers.

Task 1

Work in a group. Read the claim below put forward by the two sides. Discuss whether you think these claims are valid. Why/Why not?

LVMH – The Case

a. The company claims that the bank was deliberately and systematically unfair to them in its stock research because of the direct conflict of interest concerning the bank's client, Gucci.

b. Clare Kent, the bank's analyst, is supposed to have stated that LVMH stock had peaked and wouldn't increase in value any more, thus causing a dramatic drop in their share price.

c. Morgan Stanley sent an email to their clients to inform them that LVMH's credit rating was about to be downgraded. This had a very bad effect on their market credibility.

d. Morgan Stanley made negative predictions about the impact of the weak yen on LVMH products, and also suggested they would have problems integrating clothes retailers they had bought.

Morgan Stanley – The Case

a. The bank admits that they did seek to promote their own client by giving favorable information about them. But they also insist that they never tried to make LVMH's situation look worse than it was.

b. They argue that Clare Kent is one of their best analyst, and was voted European Luxury goods analyst of the year by *Institutional Investor magazine*.

c. They say that investors know that analysts make mistakes. For example, they were uniformly positive about technology stocks in the late 1990s, and nobody is suing them now.

d. They argue that the credit downgrade was based on a report by the rating agency Standard and Poor's, and that they are not responsible for the accuracy of information given by them.

e. They claim that they were right about the impact of the yen and the integration of clothes retailer Donna Karan.

Task 2

Based on the claims, prepare a list of persuasive arguments which could be used by the spokespeople from each party. Assign the roles of spokespeople to two members of the group and listen as they argue the points. Did you feel more convinced by some arguments than others?

Task 3

Discuss what you would do if you were the judge in this case. Would you award the requested damages to either side? Compare your decision with those made by other groups.

Decision

The Commercial French court instructed Morgan Stanley to pay &30m in damages to LVMH and appointed an expert to examine the case, which could lead to Morgan Stanley paying even bigger fines.

The president of the bank's French operation said the decision was bad news for investors both big and small. One fear is that the judgement will lead to analysts giving only positive reports of company performance in order to avoid legal action.

Write it up

Write the minutes of the meeting your group had in Task 3.

Write the minutes of your meeting to circulate to senior management. Remember the following: at every business meeting someone is assigned 'to take the minutes'. The person notes down all the important points made at the meeting and later writes up a clear summary of what was said and decided. It is generally agreed that the minutes should be sent within 24 hours to all the participants and anyone else affected by the content. This ensures that people stay focused on the issues raised and keep future actions points clear in their minds. Minutes are sent to make sure that things discussed at meetings actually get done.

When writing minutes, you should follow the standard format. The following different components should appear on the page:

- a) subject and date of the meeting,
- b) list of participants,
- c) summary of the chairperson's introduction,

- d) summary of opinions and suggestions exchanged,
- e) action points decided upon,
- f) people assigned to each action and deadlines given,
- g) date and time of the next meeting.

The style of language is quite formal. Sentences should be short, clear and concise. It is important to summarize only the most important points, not including everything that was said.

Long speeches made at the meetings should be summed up, using bullet points for clarity. The minutes of even a long meeting shouldn't be longer than one page.

Useful phrases: *b. present: followed by a list of participants; c. Mr X opened the meeting with the following points; d. Mr Y was the first to speak/react/contribute, Mr Z disagreed/expressed concern/argued/insisted; e. the following action points were decided upon: Mr A will look into, Mr Z will speak to ... before the 15th, Ms Z will come to the next meeting/send the report/research/draw up/calculate, study ... by the end of next week.*

Case 44 Allocating the Training Budget

Background

Ashdown and Kennedy, a manufacturing plant, had to take their absenteeism problem seriously when they discovered that on any given day 10 per cent of the factory staff were off sick. In addition to this, high staff turnover was increasing recruitment costs and reducing productivity. They asked People First, a human resources consultancy, to conduct a full study to ascertain the reasons for these problems and to come up with solutions.

The study revealed that the majority of staff complained of poor relations with line managers, who were said to be authoritative and inflexible, and suffered acute stress due to co-worker disagreement and the generally bad atmosphere in the workplace. Some of the staff obviously had genuine ill-health problems, bad backs being the most common, while more had problems caused by poor diet, being overweight and lack of exercise.

Task 1

Read the extract from the report that People First produced and discuss the benefits and drawbacks of each of the proposals.

“One of the best ways to retain staff and keep motivational levels high is to provide incentives through training schemes. We therefore propose

that you consider the option of implementation an annual training budget of approximately 5% of the payroll for all kinds of different training. Options to consider in your particular circumstances are as follows:

a. *Health and Fitness Awareness Training for All Staff Members*

1) offer courses on occupational health and general fitness awareness (keeping people healthy and showing corporate social responsibility) – cost 30% of budget

2) could provide gym and fitness facilities on the premises, complete with a fitness trainer, for best long-term results. Cost – 100% of budget

b. *Stress Management Courses for All Staff Members*

1) claim that stress-related issues are always the main reason for absenteeism

2) help people to think more positively, manage time, enjoy challenges and enhance relationships with co-workers and managers

3) provide intensive one-day stress awareness courses. Cost – 20% of budget

4) extensive courses run over several weeks, with stress consultant available for one-to-one discussions with staff members. Cost – 70% of budget

c. *The Future Manager Consultancy*

1) offer tailor-made training courses for line managers

2) propose a course based on developing good listening skills, setting reachable goals, becoming better communicators and working towards flexibility

3) claim that if you provide dictatorial managers with the appropriate training, you will be taking a positive step towards solving staff absenteeism, turnover and health problems. Cost – 60% of budget.”

Task 2

Decide which option or combination of options you would choose for the short term and for the long term, and give reasons.

Task 3

Present your arguments to the class.

Decision

Read what Joyce Moorhead, an HR training consultant, thinks about the options available to Ashdown and Kennedy.

“Well, before I say anything else, I would just like to say that I agree with the consultants when they say that training is an excellent motivator.

And I find the various options they propose very interesting. It's difficult to choose between them but I think it's really important to solve communication problems as soon as and whenever they occur. There is obviously a huge breakdown in communication here with the majority of the staff dissatisfied with how they are being managed! Therefore, I would send the managers on the course offered by the Future Management Consultancy as soon as possible. On the other hand, the employees wouldn't see the immediate benefit of this, so I think I would use the rest of the budget for one-day stress management courses or possibly the health and fitness courses. The fitness courses would be seen to be a life enhancer for everyone, and staff would feel that their overall well-being was a cause for concern for the company.

Long term, I think it would be a very good thing to offer a full course in stress management as so many staff members complain of stress. Or it might be better to consider installing gym and training facilities, because having a health and fitness program for all staff members is very important, particularly in the manufacturing sector – and it could eliminate a lot of stress into the bargain.”

Write it up

Write a short report on the Ashdown and Kennedy problem and how you would solve it.

Remember that short reports are documents that use a formal writing style. They should not contain contracted verb forms *like it'll or don't* but use the full forms of verbs.

The language of the report should be as clear as possible. It is not necessary to use long and complicated sentences or obscure vocabulary. Using simple language in short sentences will make it easier for the reader to assimilate your message.

Try to avoid using the personal pronoun *I* too much. Although it is true that 'you' wrote the report, it will only put your readers off if you refer too often to your own role. Use neutral phrasing instead.

Useful phrases might include:

a) for showing contrast – ***however***, *this does not necessarily mean that...*

While *these results may appear to ...*

On the other hand, *it is true that ...*

Although *it is not completely clear from our research ...*

b) showing cause and effect – *this has been mainly **due to** ...*

***Consequently**, additional data was obtained which showed that ...*

***As a result of this**, it has not been possible ...*

c) following on to the next point that you wish to make – ***moreover**, in this particular case ...*

***In addition to this**, the survey included ...*

***Furthermore**, we should advise that this would provide an opportunity to ...*

Short reports are used to summarize information that has to be communicated to people inside or outside an organization.

They are designed to provide an overview which can be read and assimilated quickly.

Many different subjects can be presented in a short report and some of the most common types of short reports are project/progress reports, business proposals and summaries of research or results. Although the length of a short report can vary depending on the amount of information and commentary that it contains, most short reports will be between one and six pages long. They should be clearly structured so that the reader can find the relevant information quickly. Short reports may also include graphic materials which are often used as the basis for an oral presentation.

The layout includes title page which indicates the subject that is being dealt with, in large font, with the name and position of the author of the report clearly indicated at the bottom of the page, together with the date of its publication.

Summary gives a concise presentation of the report, the reasons for writing it, the most important information it contains and a general idea of its main findings. For a short report this can be simply one or two sentences.

Introduction presents an overview, showing why the report was written and how it has been constructed.

Development section includes the main body of information which may be divided into several subsections.

Conclusion presents the results of the report. This might take the form of recommendation for future action or draw the reader's attention to problems that need to be addressed.

Case 45 Consultant with a Conscience

Background

CIC Consultants is proud of the performance of one of its main clients, Power US, a global energy trading company. They have reported high earnings and a 10% growth rate since the consultants started advising them five years ago. CIC not only gives advice on strategy, but its auditing department produces the official figures for Power US as well.

Sue Kelly, a senior accountant at the consultancy firm, was first alerted to problems when the CFO of Power US asked her to lie to one of the company partners about the investment. She refused on moral grounds and soon after that her boss transferred her to another company.

Recently, she discovered that Power US is involved in massive fraud and she is now facing an ethical dilemma: should she report that she knows to an outside financial regulator? Both companies are very powerful and even though she can provide proof, her word may not be taken seriously and in that case, she will never find another job in consulting.

Task 1

Read the consequences of two options open to Sue Kelly. Can you think of any other possible outcomes in each case?

Option one

If Sue reports the problem to a regulator, and they open an investigation...

1. She will lose her job immediately.
2. Power US and CIC Consultants may go bankrupt.
3. She will have to testify in court against former colleagues.
4. The bosses of both companies will have to pay huge fines and possibly go to prison.

Option two

If Sue decides to say nothing and leave CIC Consultants...

1. It is possible that the fraud will never be discovered.
2. It is also possible that things will get even worse as time goes on.
3. She will feel responsible for not stopping a criminal activity.
4. She could probably find work in another consultancy firm but would have to lie about her reasons for leaving CIC.

Task 2

Hold a meeting to decide which option she would take.

Task 3

Choose a spokesperson to report back to the other groups what was said and decided at your meeting.

Decision

Read what someone with a similar dilemma decided to do and what the consequences were.

“This is indeed an interesting dilemma. Consultants have a confidentiality clause in their contracts, but obviously there is a limit to how much one should take responsibility for. This case is obviously pre-regulation and one should also remember about the Sarbanes-Oxley Act. In fact, it reminds me of the situation Sherron Watkins found herself in at Enron. Of course, she was an employee of the company and not of their auditors, but she faced a similar dilemma. She didn’t contact anyone from outside the company straightaway. However, she did write an anonymous memo to the CEO, to inform him that the company was involved in accounting fraud on a large scale. He later said that he wasn’t aware of any irregularities before receiving a letter. She then met face to face with him, and an internal inquiry was opened. Her claims were dismissed and we know now that Enron was getting deeper and deeper into debt. She finally made the decision to go to the regulators with her story.

Her critics say she spoke out only when she was sure the company was going out of business and that she first sold off her stock options worth \$17,000. This was minimal compared to other executives. However, I think she did achieve something, as she said herself: as a result, the 2002 Sarbanes-Oxley Act requires CEOs and CFOs to certify that financial accounts are true. If they’re found to be lying, they face up to 20 years in goal. Monetary fines don’t do it: if you’ve made \$100 million, you are still very rich. But the idea of going to goal scares these guys to death.”

Write it up

Write the minutes of your meeting.

The style of language of the minutes is quite formal. Sentences should be short, clear and concise. It is important to summarize only the most important points, not including everything that was said.

Long speeches made at the meetings should be summed up, using bullet points for clarity. The minutes of even a long meeting shouldn’t be longer than one page.

Useful phrases:

- a) *present: followed by a list of participant*
- b) *Mr X opened the meeting with the following points;*
- c) *Mr Y was the first to speak/react/contribute, Mr Z disagreed/expressed concern/argued/insisted;*
- d) *the following action points were decided upon: Mr A will look into, Mr Z will speak to ... before the 15th, Ms Z will come to the next meeting/send the report/research/draw up/calculate, study ... by the end of next week.*

When writing minutes, you should follow the standard format. The following different components should appear on the page:

- a) subject and date of the meeting,
- b) list of participants,
- c) summary of the chairperson's introduction,
- d) summary of opinions and suggestions exchanged,
- e) action points decided upon,
- f) people assigned to each action and deadlines given,
- g) date and time of the next meeting.

Remember the following: at every business meeting someone is assigned 'to take the minutes'. The person notes down all the important points made at the meeting and later writes up a clear summary of what was said and decided. It is generally agreed that the minutes should be sent within 24 hours to all the participants and anyone else affected by the content. This ensures that people stay focused on the issues raised and keep future actions points clear in their minds. Minutes are sent to make sure that things discussed at meetings actually get done.

Case 46 New Markets Tax Credits Serve as Conduit for Revitalization of North St. Louis (Missouri, US)

Background

Established in 1816 as the Village of North St. Louis (Missouri, US), the area now known as Old North St. Louis has seen many changes in the past couple of centuries. During the Great Depression and immediately thereafter, a flood of new residents, many of whom worked in neighboring St. Louis factories, helped the area to thrive.. But after WWII, the construction of a giant highway disconnected North St. Louis from the city's industrial core. In short time, the neighborhood fell into decline. The community experienced tremendous deterioration and depopulation over the past five decades.

City planners attempted to revitalize the area. Streets were closed to automobile transport and a pedestrian shopping mall with retail and commercial space was built. The unintended consequence was that less automobile traffic led the area into further decline. Between 1950 and 2000, the area had lost nearly 85% of its population; only 1,500 residents remained. The average housing value was just under \$15,000 and rents averaged just \$220.

In an attempt to spark new growth, in 1981, a group of residents, small business owners, and community leaders in the Old North St. Louis neighborhood established the Old North St. Louis Restoration Group as a not-for-profit corporation with a mission to restore and develop the physical and social dimensions of the community in a manner that respects its historical, cultural, and urban character.

For much of the group's first ten years, they worked together to renovate each other's homes, much like the "barn raisings" of close-knit communities of the past. The organization had facilitated thousands of hours of volunteer service for neighborhood clean-ups and vacant building board-ups, hosted street festivals, sponsored annual house tours, coordinated crime prevention initiatives, and built the group's office into a "neighborhood marketing center."

In 1994, the group received city funding to create a community development plan. After successfully achieving designation as a National Historic District, they received a substantial grant from the State of Missouri, which allowed to purchase and stabilize several strategic buildings. These buildings were then marketed to families and individuals who could either secure private financing or invest sufficient sweat equity to restore them to habitable condition.

Because of the improving conditions and available land, the neighborhood began to attract outside developers.

The Restoration Group, in partnership with Rise Community Development, created a residential development plan for 100 new homes and rehabilitation of 25 historic buildings along North Market Street in the heart of the neighborhood. This partnership produced twenty for-sale homes. In 2006, nine historic buildings along North Market and Monroe streets underwent major restoration work to produce 32 affordable apartments.

The old business district on North 14th Street was converted to a pedestrian mall in 1977, an urban planning experiment that failed miserably. After nearly three decades of deterioration and abandonment, the former mall experienced an exciting, 4-year transformation that was completed in July of 2010.

In 2006 Old North St. Louis Restoration Group and Rise Community Development launched the largest redevelopment effort in the neighborhood, a \$35 million renovation of 27 vacant historic buildings on the mall and adjacent blocks into 80 mixed-income apartments and over 34,000 square feet of commercial and retail space

Now, 198 years after the establishment of the village of North St. Louis, 173 years after the annexation of that village into the City of St. Louis, and 33 years after the creation of the Old North St. Louis Restoration Group, the neighborhood is gaining a reputation as a model for effective community-based revitalization.

How it worked: Because of the size of the project, it was broken down into two components: housing and economic development. The \$14.9 million housing component was financed primarily through Low-Income Housing Tax Credits and tax exempt bonds.

The biggest portion of the economic development, the \$21.2 million revitalization of the commercial center, was financed almost entirely through the government program for New Markets Tax Credits (NMTCs).

Results for Local Economy: In October 2010, the 14th Street Pedestrian Mall finally reopened to automobile transport.

Crown Square now serves as a new “town center,” which includes 27 buildings of historic loft, apartment and live and work units and 34,000 square feet of commercial space.

More than 20 companies moved into Crown Square between late 2009 and 2011.

A 50-year trend of out-migration has been reversed; since 2010, population growth is up 30%. A new food cooperation is the first of its kind to serve a low-income neighborhood in St. Louis; previously, residents had long commutes to access fresh, healthy foods.

Importantly, the neighborhood is no longer disconnected from the rest of the City.

The Crown Square redevelopment project utilized past investments in infrastructure and expanded housing and business opportunities within a historic urban core. The project was recognized with annual Award for Excellence in Historic Preservation from Housing and Urban Development department.

Overcoming Challenges: One of the largest obstacles for the development team was the up-front acquisition cost of the properties in this historic district. Moreover, when it came time for new construction, blending the new with the old historic properties was challenging. Nearly

all of the historic buildings along 14th Street needed significant rehabilitation to ensure their structural integrity. Outdated infrastructure such as the underground sewers needed to be replaced; the old pedestrian walkway needed to be replaced by new multi-modal streets and lighting.

Lessons Learned: Don't let your critics suppress progress. A redevelopment project of this scale was certainly going to take a lot of time and hard work, and naturally there were residents who were skeptical; not everyone bought into the idea that the neighborhood could be saved – or that banks would be interested in financing a project in such a deteriorated area. The project team chose to ignore detractors and kept the project moving forward; as soon as the first strides were made, residents began to recognize and support the rebirth of Crown Square.

Task 1

Answer the following questions

1. What does the term revitalization imply?
2. What are main components of economic development?
3. What is inward/ outward migration?
4. What reasons for deterioration of the area are named?
5. What was the ONSLRG's strategic plan?

Task 2

Discuss the following issues

1. What is more important for a small town: maintaining historical identity or modern development?
2. The role of non-for-profit organizations in solving social and economic problems
3. How can a small residential area attract government and business investments?
4. Community-based activities
5. How can the experience of Old North St. Louise be applied to other problematic areas?

Task 3

You are the members of ONSLRG. You are planning to attract more tourists to the area. Carry out a discussion on different possibilities. Think of providing entertainment, transportation, housing, catering and other supplementary services. How to make the place more attractive and the services more competitive? Present the results of the discussion in written format.

Task 4

As the active group of ONSLRG consider the possibilities to receive more federal funds for the area. You should develop a business plan for further economic revitalization. Promote the idea of waste land development. Present approximate mathematical calculations of expenses and outcomes.

Task 5

You oppose the ONSLRG project as expensive and futile. Explain possible obstacles and detractions. Back up your position with reasonable logic and facts.

Case 47 Connecting Small Businesses with Crowdfunded Capital

Background

While economic diversity and a highly educated population gave Chicago strong advantages, the city also faced slowing growth and a rapid decline in employment. Further, the state of Illinois encountered a fiscal crisis, and the entire U.S. continued to experience uncertain economic conditions.

In 2012, recognizing a need to strengthen Chicago's economic climate, Mayor Emanuel charged World Business Chicago (WBC), the city's economic development arm, with overseeing the creation of the *Plan for Economic Growth and Jobs*.

The Plan outlines ten focus areas to increase regional productivity, employment, and wages. The ninth strategy, in particular, obliged the city to implement programs that enhance Chicago's neighborhoods by strengthening their businesses, people, and networks. Neighborhoods not only provide opportunities for community members, but they also contribute to the city and region's economic competitiveness. Conversely, areas that neglect the potential of the local economy are more likely to become concentrated with poverty, high unemployment, and consume public resources.

A key component of the strategy is to "nurture neighborhoods with high 'quality and vitality of place,' supporting continuous development of human capital, business and real estate assets." Chicago, like many cities, is home to many private and public sector initiatives that share this goal. WBC's challenge was to identify and fill gaps in services, and form

partnerships with existing programs to ensure the health of Chicago's neighborhood economies.

To meet the challenge, WBC turned to the crowdfunding platform, Kickstarter. Instead of relying on traditional financing from bank loans or large-scale investments, Kickstarter allows entrepreneurs and small businesses to raise capital by collecting many small contributions in return for the delivery of a good or service. Most crowdfunders have a pre-existing interest in the business, and are connected as customers, friends, family, neighbors, and members of the local community.

How it Works: In its pilot year, WBC collaborated with Accion Chicago and LISC Chicago to identify and recruit capital-seeking small businesses and community organizations to participate. An open call for projects in the second round allowed a greater number of interested business and project leaders to apply. Through successive rounds, WBC has identified two core functions that allow Seed Chicago to offer a valuable service to local businesses: coaching and curating.

Collaboration and peer-to-peer interactions make Seed Chicago's program particularly valuable to project leaders.

Results: Seed Chicago measures its success by the number of participating projects. So far, it has connected local businesses and community organizations to over \$200,000 in financing, including \$50,000 in matching funds from MillerCoors. The level of capital raised by participating small businesses will allow to create more than 60 new jobs.

Further, campaigns run by community organizations like Growing Home Urban Farm and Teamwork Englewood have created new workforce training opportunities for local youth and adults.

In the next two years, Seed Chicago will coach 60-90 projects, with an estimated 60% receiving full funding and creating as many as 135 new jobs.

Future Opportunities and Challenges: Though Seed Chicago is a young program, Accion's reputation as a resource for small businesses in Chicago will help the program build respect among entrepreneurs.

Moving forward, Accion Chicago will work to tailor coaching techniques using best practices learned through its prior campaigns. Accion will enhance Seed Chicago participants' ability and understanding of how to access additional financial resources, such as grants and microloans.

Task 1

Answer the following questions:

1. What is crowdfunding? How does it work?
2. What are absolute and comparative advantages? What are these for the City of Chicago?
3. What economic issues does the plan aim at?
4. Why did WBC choose Kickstarter platform to solve Chicago problems?
5. How does the platform work? How did it work in Chicago? What areas were identified?
6. What is Seed Chicago? What results have been achieved so far?

Task 2

Discuss the following issues

1. Involvement of local community is important for economic growth of the area.
2. Crowdfunding is a useful tool for small businesses.
3. Local economic development can be achieved without federal funding.
4. All local areas have some comparative advantages.
5. Individual campaign can succeed through collective approach.

Task 3

You are a group of active citizens of a local area/ region. Carry out research on the problems and comparative advantages of the area. Discuss plans for solutions to the problems and promotion of advantages. Prepare the results of the discussion in the form of a presentation and a business plan.

Task 4

In pairs think of small business initiatives. Suggest applying a crowdfunding platform. Outline potential benefits. Prepare a small talk/ presentation to get supporters.

Task 5

As a leader of a local area economic development project, prepare a presentation for a local community to raise capital.

Task 6

Research <http://www.kickstarter.com>. What projects would you endorse?

Case 48 Houston Incubator Taps Into Cluster Strengths, Emerging Tech

Background

In early 1997, the City of Houston applied for a federal grant in order to fund the redevelopment of a city-owned building into a centrally-located business incubator. The University of Texas provided technical assistance and helped to form a leadership team, which included the Greater Houston Partnership and the Johnson Space Center at NASA.

During a series of community meetings held in the fall of 1997, a few things became clear: first, the incubator should function as an autonomous organization, and not be managed directly by the City or on the campus of any hospital or university.

Second, the incubator should be designed with the intention of diversifying Houston's economy. Already, the City was a leader in the energy industry, but this cluster experienced peaks and valleys. Given that this was during the Dot-Com Era, community members wanted the incubator to grow the technology cluster, including nanotechnology, information technology, green energy, life sciences and aerospace.

For nearly a year and a half, a team of dedicated champions worked to turn an outdated Midtown property into what is now the largest tech incubator and accelerator in Texas.

How it Works: As an established nonprofit, HTC staff and partners work closely with entrepreneurs and startups to provide in-depth strategic and technical assistance to help speed the growth of companies and the commercialization of their products.

The HTC incubator is designed for early-stage companies, engineers, professors, scientists and others who think they have a market solution but need support to turn that idea, product or service into a business. To be eligible, the company must be headquartered in the Gulf Coast area or willing to relocate; be in one of the incubator's cluster areas; have proprietary technology; and be willing to assemble a management team if one does not already exist.

The goal of the incubator program is to prepare early-stage companies for the more intensive HTC Accelerator. Qualified candidates move through an eight-month incubation phase. During the first 60 days of the program, CEOs must establish legal standing.

Any company interested in the Accelerator must establish goals and refine their business plans. This HTC Client stage can last for about 1-2 years.

During the next phase, “Advanced Clients” begin to execute their business plans under the advisement of various business leaders. This phase typically lasts for one year.

Once companies begin generating positive cash flow, they move out of the accelerator as “HTC Graduates”. In order to be considered a Graduate, companies must have accrued six months of revenue or sustainable working capital and have major liquidity or a funding event, IPO or Merger/Acquisition or Grant on the horizon. In all, the accelerator is roughly a three-year process.

Funding for the HTC is primarily through 300+ of Houston’s leading corporations and academic institutions, as well as the Greater Houston Partnership and the City of Houston. Houston has a large, actively engaged civic community, which also generously supports the HTC. Additionally, more than 230 professional advisors and mentors provide thousands of volunteer hours to incubating companies each year.

Results for Local Economy: Since its beginning, HTC has provided business assistance to well over 300 clients. At any given point, there are 50 companies participating in one HTC program or another. In 2015, HTC hopes to add another 30 companies to its existing client base.

Over the past 15 years, HTC companies have raised more than \$1.6 billion in capital. HTC clients and graduates created 4,595 new jobs between 1999 and 2012, and in 2012 alone, contributed more than \$687 million to Houston’s local economy. HTC also serves as the Gulf Coast Regional Center of Innovation and Commercialization for the Texas Emerging Technology Fund.

Task 1

Answer the following questions:

1. What was the mission of HTC?
2. Who are eligible for HTC?
3. What areas does HTC support?
4. How is the local community involved in HTC?
5. What are economic outcomes of HTC for the area?

Task 2

Discuss the following issues

1. What period is called the Dot-Com Era? What are its specific features?
2. Discuss how HTC helps local economy.
3. Describe the process and stages of a small company development under HTC.

4. What lessons should be learned from HTC case?
5. What are the possible ways to fund rising?

Task 3

In small groups consider the possible ways to enhance HTC's mission and scale. Think of new ideas and opportunities. Give a small talk on your work.

Task 4

You are an active group of HTC. You need to get further support from local community. To show the results of your work, prepare a presentation on how HTC resolve the problem of unemployment.

Task 5

Research on HTC <http://houstontech.org>.

Case 49 Rethinking an Industrial Complex as a New Museum and Urban Anchor (MASS MoCA)

Background

Since the late 18th century, downtown City of North Adams (Massachusetts, US) was supported by a robust manufacturing economy.

A large manufacturing complex with 26 separate mills and supporting buildings allowed companies like Arnold Print Works (textiles) and Sprague Electric Company (R&D, consumer electric parts) thrive throughout the 1900s.

But by the mid-1980s, most manufacturing companies had downsized or relocated elsewhere, leaving North Adams with a vast complex ripe for redevelopment.

In 1986, as local leaders contemplated reuse alternatives, Williams College Museum of Art director Thomas Krens approached city leaders about using the 13-acre manufacturing complex to house large works of contemporary art.

How it Happened: North Adams Mayor John Barrett endorsed the idea of using the site as an art exhibition facility. During design development and the private fundraising stage, the museum was expanded from the display of contemporary art to all types of visual and performing arts. The idea was to create a laboratory for both artists and visitors.

At one point, poor economic conditions threatened the project, but by 1999 broad-based support from the private sector and local community had raised \$65 million.

Since opening, there have been over 500 exhibitions and over 300 performing exhibitions and over 300 performing arts events. Now MASS MoCA is considered the largest center for contemporary and visual arts in the United States.

Results for Local Economy: MASS MoCA generates an estimated \$20+ million per year in local economic activity. 160,000 annual museum visitors bring in \$14 million per year just from the exhibition and performing arts programs, plus some \$2-3 million per year from its growing music festivals. Additionally, the MASS MoCA complex, more than 200,000 s.f. of commercial space, has drawn 26 other commercial tenants, which together adds another \$5 million to the regional economy. In total, it is estimated that the reuse of the industrial complex for this purpose has served as a catalyst for more than 800 new jobs.

MASS MoCA has become an anchor to the North Adams economy, and sparked a growing arts and creative culture that has made the city a more desirable place for people to live, work and play. Meanwhile, the museum has built relationships with universities and other museums across the United States to foster long-term programmatic collaboration that draws an even wider audience.

Challenges: Early on, fundraising for MASS MoCA was a struggle. It took a widespread, coordinated effort among policymakers and other stakeholders to convince people that the industrial campus could make North Adams a cultural destination.

The museum was operating as a start-up and lacked any endowment. For a number of years MASS MoCA struggled to meet its budget gap. Only recently did the museum become profitable.

Another challenge was convincing the local, low-income and blue-collar communities that art could serve as an economic development tool. For many North Adams and Berkshire County residents, art was never a priority. Fortunately, at that time there were no other significant prospects for the former industrial buildings and the City had little to lose in implementing this strategy.

Task 1

Answer the following questions

1. What industries made up the region? Why did they decline?
2. How did the idea to develop the museum complex appear? Why did it gain support?
3. How was the project financed? Name the sources.

4. How did the project change the local area?
5. Who were the major participants of the project? What were their roles?

Task 2

Discuss the following issues

1. Do you think that was the right project for the development of the former manufacturing area? Explain your decision. Give reasons.
2. How to gain public support for a project? Suggest possible ways.
3. What do potential economic outcomes of a project depend on?
4. Could art be considered as 'an economic development tool'?
5. What could the further development of the museum campus be?

Task 3

You are groups of supporters and opponents to the project. Role play a meeting. Reason your positions. You need to be logical and persuasive.

Task 4

In small groups work out possible ways to raise funds for further redevelopment of the area. Present your ideas to the class.

Task 5

In pairs think of alternative ways to transform an industrial district into a cultural destination. What are the benefits and drawbacks? Compare your ideas with others.

Case 50 Designing a Workforce Strategy to Meet Employer Needs

Background

In the late 1990s, the City of Hartford was embarking on a new civic infrastructure project in which they would be constructing six new civic buildings downtown. Struggling with a high unemployment rate at 9.1% and more than 30% of its residents falling below the poverty line, the City saw construction as an opportunity to help train residents for new job opportunities.

In response, a range of stakeholders, including city and state government, local community development organizations, workforce development agencies and private industry, joined forces to create the Hartford Jobs Funnel in 1999. The Steering Committee includes members from across sectors, union and non-union employers. The program costs between \$750,000 to \$1 million each year.

How it works: Hartford residents who are at least 18 years of age are eligible for the program, regardless of current income or employment status. Candidates learn about construction jobs and the industry. Then, each candidate undergoes an academic assessment to ascertain current skill levels. Those who pass the Test for Adult Basic Education (TABE) are then qualified to enter the Hartford Jobs Funnel. Those who do not pass the TABE are referred to other agencies for remedial training and additional job placement services.

Upon entering the Funnel, residents are assigned a case manager. Case managers work with each participant to guide them through 20 to 40 hours' pre-employment life-skills workshops, such as resume writing, interviewing techniques, group dynamics and money management. Then, residents move into customized, short-term training in any one of a number of construction-related categories, including: drywall finishing/painting/glazing; heavy equipment operations; carpentry; iron works; masonry; general construction; and brownfields remediation.

After the skills training, participants move into the job placement phase. All Funnel staff and partnering organizations collaborate to identify appropriate matches. Depending on the job market, some find work immediately while others stay in the program to expand their skills even further. Some complete the training but then opt to take positions outside of the construction industry. Once finding employment, all participants are assigned a retention specialist who ensures job placements are successful. In the event a participant becomes unemployed, the Funnel provides retraining and re-employment services.

Results for Local Economy: An evaluation of 3,581 individuals who enrolled in the Jobs Funnel finds that 80% of Jobs Funnel participants who took work in the construction industry were employed one year following program participation; this was slightly lower (73%) among those who took jobs in non-construction fields. Moreover, 53% of program participants landed a position that included benefits, and of these 95.7% were with unions.

Pre-program earnings for those who took construction jobs averaged only \$10,000; for those who took non-construction jobs this was just \$7,814. After program completion, those who took construction jobs had a mean starting wage of \$15/hour; non-construction placements averaged \$13.30/hour. Funnel participants in all fields show considerable gains in earnings compared to pre-employment.

A majority (54%) of the program participants are African American; more than half (56%) have felony convictions; nearly half (43%) lack

access to transportation; over one-third (36%) lack a driver's license and 15% admitted to having a problem with substance abuse.

Remaining Challenges: There are a few primary challenges still faced by the Jobs Funnel. First is data collection. Tracking participants and collecting information is incredibly challenging as many employers, despite their willingness to participate by hiring local residents, are less likely to share information after hiring.

Second, the staff is spread thin. The Program Manager does not have sufficient time for higher-level planning, fundraising and development of strategic partnerships. The program lacks case managers and retention specialists to serve large numbers of residents.

Finally, construction jobs are often seasonal, with work picking up during the summer and falling off in the winter.

Task 1

1. What was the City of Hartford's economic situation in the late 1990s?
2. Who is the Job Funnel project focused at?
3. How does the program work? How many stages does it include?
4. Why are civic initiatives important for successful economic development?
5. How do construction projects help solve economic problems?

Task 2

Discuss the following issues

1. Why was the project named 'funnel'? Did it imply any special meaning?
2. What is the importance of the first pre-employment stage?
3. Do you know any other examples of social service programs? Give examples.
4. Do you think it is a good idea to lead potential employees through the whole process of employment-finding project?
5. Would you like to enroll to a similar job project? Why? Explain your answer.
6. Consider the ways to improve the organization of the Job Funnel program.

Task 3

You are a group of Hartford Job Funnel organizers. Hold a meeting on to how improve the program and attract more participants and employers. Reason your suggestions. Prepare a report on the meeting agreements.

Task 4

As an employer you would like to get qualified new staff. What requirements would you place with the HJF participants? What help can you offer to them?

Task 5

In small groups suggest possible solutions to challenges the Job Funnel program faces. Think of obstacles. Be logical and reasonable.

Case 51 Philadelphia's Wash Cycle Laundry Hires Vulnerable Residents

Background

Before founding Wash Cycle Laundry, CEO Gabriel Mandujano worked in nonprofit and workforce development industries. From this experience, Mandujano learned how challenging it was to match hard-to-hire residents – those who have struggled with addiction, poverty or homelessness, or who have a history of imprisonment – with viable, sustainable employment opportunities. There must be a way, Mandujano thought, to create better and durable jobs for this demographic. Realizing that changes could be implemented through the private sector, Mandujano launched his own enterprise, Wash Cycle Laundry.

Why laundry? When Mandujano was considering various business alternatives, he was looking to launch a company in an industry where environmental sustainability was a competitive advantage. The Wash Cycle model, which uses bicyclists as its primary transportation mode, would save energy, water and transportation costs. Moreover, laundry is a multi-billion-dollar industry, which makes it viable even without tax credits or subsidies.

How it Works: Wash Cycle is privately financed by investors who expect their returns on a specific timeline.

Many positions in the laundry industry are entry level: they require little formal education or skill training. Employees for Wash Cycle use bicycles that can carry up to 300 pounds of laundry. The bicycles pick up the laundry and bring it to a partner facility, where Wash Cycle staff clean the laundry.

Wash Cycle serves two important market segments: the everyday laundry consumer (busy working professionals, families with young children and senior citizens) and institutional clients. To date, more than

half of Wash Cycle's revenue comes from universities, hospitals and nursing homes.

As the company expands, hiring vulnerable residents remains a priority. Wash Cycle recruits vulnerable residents. To identify these workers, Wash Cycle partners with nonprofit and community agencies, such as PhiladelphiaWorks and Gearing Up. The nonprofit agencies provide case management and soft-skill training and address employee management issues as they arise to ensure that clients will be successful once on the job.

Results for Local Economy: Wash Cycle has expanded from Philadelphia to a second location in Washington, D.C. and a third in Austin, Texas. In total, the company employs approximately 50 people, of which more than 50 percent are characterized as vulnerable residents. The company has intentionally hired a mix of hard-to-hire and traditional workers; doing so ensures that working for the company does not result in a "vulnerable resident" identifier.

Employee wages vary, but all earn above a living wage for a single adult (\$10.10 per hour). The wages are competitive for this demographic. To date, Wash Cycle is achieving a six-month employee retention rate of over 80 percent.

Challenges: The main challenge for the business is related to perception: Wash Cycle has specifically designed its business model around a sustainable delivery system. This decision was made not only to benefit the environment, but also to strengthen the company's bottom line. Yet many potential clients see the use of bicycles and assume that Wash Cycle cannot be a credible contractor. Despite Wash Cycle's large institutional clients and proven track record, this perception still exists.

Lessons Learned: In a recent interview, Manujando stressed the importance of building relationships with partners who really understand one another. The ability to lean on one another has been critical. The company has built a strong team of nonprofit partners which has created a streamlined service delivery system.

Contracts with universities and hospitals offer significant opportunity for small businesses looking to expand and grow. Despite the anchor's willingness and interest in getting your company's services, it could take many years to bring this to reality. Manujando said, "Plant a lot of seeds – you never know which will bloom."

Task 1

Answer the questions:

1. What is known about the company Wash Cycle Laundry?
2. What is the mission of the business?
3. What special career opportunities does the business provide for the employees?
4. Who are target clients of Wash Cycle?
5. What are economic results of Wash Cycle business?
6. What are the reasons for negative attitudes of some potential clients?

Task 2

Discuss the following issues

1. Do you agree that entry level jobs can be a catalyst for upwardly mobile careers?
2. Why is cooperation with nonprofit and community organizations important for small businesses like Wash Cycle?
3. How can the concept of sustainable business model be explained?
4. Why are business relationships crucial for success?
5. How to build strong business partnership?
6. What should a small business focus at for the growth?
7. What is social responsibility of a business? Is Wash Cycle socially responsible? Explain your answer.

Task 3

You are executive members of the company. Hold a meeting to discuss ways to attract potential clients for Wash Cycle. Explain the mission and purpose of the business. Stress on its social and environmental responsibilities. Fix the results of the discussion in the report.

Task 4

As representatives of the company Wash Cycle you are to hire new employees from a vulnerable demographic group. Role play recruitment interviews. What questions to ask? What facts to be cautious of? What base the recruitment decision on?

Task 5

Visit <http://www.washcyclelaundry.com/>. Individually or on pairs prepare a presentation on the business.

Task 6

In small groups research for possible application of Wash Cycle's experience into Russian economy.

Case 52 Propelling Business and Job Growth Through Social Innovation

Background

Hurricane Katrina that devastated New Orleans in 2005 left more than 400,000 residents displaced. Businesses were forced to close as people fled the area. In 2006, a group of volunteers came together to form an organization called the Social Entrepreneurs of New Orleans (SENO) in order to promote social entrepreneurship and foster new business creation. SENO enlisted the support of Echoing Green, a global nonprofit that provides seed funding and technical assistance to emerging social entrepreneurs, to conduct an environmental scan of New Orleans entrepreneurs. After meeting and interviewing with nearly 100 entrepreneurs in 2008-2009, SENO was able to test several pilot programs to see which type of support best helped entrepreneurs bring their companies to the next level.

After several years of piloting, SENO relaunched with full-time staff in 2011 and was renamed in 2012 as Propeller: A Force for Social Innovation. Propeller is a nonprofit that incubates early-stage ventures that have the potential to address the city's most pressing social issues.

By partnering with real estate developer Green Coast Enterprises, Propeller built out a 10,000 sq. ft. vacant building in order to build co-working, incubator and private office spaces for 80 startup companies.

How it Works: Propeller offers a unique model of place-based social innovation within its four cluster areas of food, water management, public health and public education. There are two major components of Propeller: Social Venture Accelerator program and the 10,000 sq. ft. incubator facility.

The Social Venture Accelerator offers a 10-month business acceleration program that connect social entrepreneurs with the resources needed to move their companies forward more quickly to reach financial sustainability. The goal is to have 80% of the group reach their top social impact and financial sustainability goals by the end of the 10-month program. Each group consists of approximately 15 new ventures that receive free office space through the incubator facility and peer learning opportunities. Each Propeller venture begins with an organizational assessment, which includes a financial, operational and programmatic review, and helps the business develop a scope of work. Moreover, Propeller provides key introductions to potential funders and customers.

The Propeller incubator facility offers affordable office and workspace for nearly 80 socially-minded ventures, from small business owners to freelancers and nonprofits. Businesses can rent the event and conference rooms, allowing for constant interaction between community members and entrepreneurs. In sharing workspaces, it provides all of the early-stage social innovators with cost savings.

Results for the Local Economy: Between 2011 and 2014, Propeller has incubated 35 new ventures. Collectively, these companies have generated \$6 million in revenue and 72 new jobs while in the accelerator program.

Roughly 50% of Propeller companies are native New Orleans residents; 60% of all entrepreneurs were New Orleans residents pre-Hurricane Katrina; roughly 50% are Low-Moderate Income. Forty percent of Propeller companies are led by a minority founder or co-founder.

Remaining Challenges: The primary challenge Propeller faces is whether to spread resources across a range of industries or continue to invest in its four targeted sectors.

Lessons Learned: Propeller, which started as SENO, was a volunteer group, and it took a few years before they could really establish success metrics. Their first big break was when the state government funded them to provide technical assistance for small businesses. By combining state aid with volunteer hours and pro bono support, Propeller now has built a positive reputation and now has an established base of funding.

Andrea Chen, co-founder and executive director of Propeller, offers two pieces of advice for other incubators. First, be sure to stay true to your mission and focus. Second, understand who your partners are and make strategic alliances.

Task 1

Answer the following questions:

1. What are the objectives of Propeller?
2. What are the main participants? What are their activities?
3. How does the organization work?
4. What are the business areas which Propeller support?
5. What advantages does business collaboration provide?
6. What results have been achieved so far?
7. What are seed funding and pro bono support?

Task 2

Discuss the issues

1. Why is success metric important for business development?

2. What are the key business activities of Propeller? What is their uniqueness?

3. Is corroboration of social and government organizations vital for business success? Explain your answer.

4. What typical obstacles has a new business to overcome?

5. What are benefits of business clusters? What are drawbacks? What are the lessons of the case?

6. How many business areas would be economically efficient in a business cluster or incubator?

Task 3

As executive of Propeller hold a meeting to discuss if Propeller should delve deeper into cluster-based approach or spread resources across a range of industries. Explain views, provide reasons and justifications. Prepare the results of the discussion in the form of report and presentation.

Task 4

In pairs research on the achievements of Propeller's business incubator. Study the website <http://www.gopropeller.org> for the local economy benefits from Propeller incubator. Prepare a report and give a small talk on your findings.

Task 5

Individually or in groups carry out research on socially-minded small businesses in Russia. What are their missions and objectives? What support do they get? Prepare a presentation.

Case 53 Philanthropic Efforts Help Struggling District Thrive

Background

By the early 1990s, the East Lake Meadows (Atlanta, US) neighborhood was one of the poorest. It faced high unemployment (with 13% employment rate), concentrated poverty (with a median income below \$4,500) and widespread crime (18 times higher than the national average). Residents lived in substandard housing and the neighborhood elementary school ranked dead last in Atlanta district. There had been no private investment in this area in four decades. As a result, East Lake Meadows was a breeding ground for inter-generational poverty.

How it Happened: In 1993, Atlanta real estate investor and philanthropist Tom Cousins first met with Renee Glover, CEO of the Atlanta Housing Authority, to discuss the ways they could transform East Lake Meadows. A working group, including Cousins and Glover, East Lake Meadows Resident Association president Eva Davis and local business leaders, formed to develop a complete redevelopment strategy and founded the East Lake Foundation in late 1995.

The group developed a plan to replace East Lake Meadows with the “Villages of East Lake” apartment complex.

While new housing was an important first step, it would be a tough sell to attract middle-income families given the area’s notoriously underperforming schools. Building a quality school was a critical component – not only to attract new residents to the area, but to ensure that current residents had access to opportunity.

The Foundation spearheaded an effort to tear down East Lake’s old, window-less school and establish the city’s first public charter school: the Charles R. Drew Charter School. Special attention is paid to early learning and literacy, and the school offers a wide range of enrichment programs – everything from violin training to golf lessons.

Since its beginning in 2000, school performance skyrocketed. Now, demand for Drew Charter is high; it has served as a catalyst to attract residents from across the city.

To complement these efforts, Cousins purchased the historic East Lake Golf Club that had fallen into a state of disrepair. The golf club and the public Golf Course bring residents of East Lake from diverse backgrounds together to engage in golf lessons and community wellness programs.

Revenues raised through the corporate member club go toward supporting revitalization efforts, and all earnings are reinvested back into the East Lake Foundation.

Results for Local Economy: These targeted investments have led to a dramatic East Lake turnaround: approximately 80% of adults are working; the rest are in educational or job training programs or are work-exempt (senior citizens and disabled residents). The median income of households has gone from less than \$5,000 to over \$16,000. Crime is down by 73%.

Drew Charter School is consistently one of the top five schools in the Atlanta Public School system. Over 98% of students meet or exceed state standards in Reading, Language Arts, Math, Social Studies and Science.

An initial \$123 million capital investment in the East Lake community in the late 90s has prompted an additional \$200 million in private sector investment in and around East Lake.

Remaining Challenges: As revitalization efforts unfold, there are many moving targets; stakeholders must continually adjust to continue sustaining success over time. The main challenge is funding. Project managers must understand each of the different funding verticals, and how these verticals change over time based upon state and federal policy.

There are multiple buckets of funding to leverage. For instance, for affordable housing, federal programs like Choice Neighborhoods might be one option. Where there are funding gaps the philanthropic community is often relied upon for support.

Lessons Learned: The model of urban revitalization has identified three focus areas: quality mixed-income housing, cradle-to-college education, and community wellness programs. This model was formally adopted to be implemented in other low-income neighborhoods throughout the United States.

Every city has potential leaders, but they are often already pulled in too many directions. Finding this leadership is critical to the project's ultimate success. To gain trust with the community, these leaders should have a track record of accomplishing difficult projects.

Building and maintaining relationships with established community groups is also important; they help understand residents' values and vision for moving forward.

Systemic change in any one neighborhood takes time and is a difficult process. These efforts can take more than a decade before showing significant results.

Task 1

Answer the following questions

1. What problems did the area face?
2. Who are the main participants in the case?
3. What were the mission and purpose of the Foundation group?
4. What funding sources were available for the area's revitalization?
5. What strategy for redevelopment of the area has been chosen?

Task 2

Discuss the following issues

1. Can the case be considered as a typical model for urban revitalization? Explain your position.
2. Can a philanthropist help a community? Think of examples.
3. Who are leaders? What special qualities should leaders possess?

4. Do you agree that the urban revitalization model should concentrate on three areas– housing, education, wellness? What other focus areas would you consider?

5. How to attract investors to decaying areas?

Task 3

Hold a meeting of stakeholders to discuss ways to find new investors in early childhood education in the area. What organizations / individuals might be interested? How to gain their trust? How to overcome obstacles? Prepare the report on the meeting.

Task 4

As active members of the local community carry out research on possible alternative area revitalizing strategy. How would the community benefit? Would new investors be attracted? What pros and cons does each alternative have? Prepare a conclusion on your findings.

Task 5

Visit the website Purpose Built Communities. Prepare a presentation on any other community of such type.

Task 6

Research on any other example of private philanthropic activities.

Case 54 Boston's Back Streets Brings Economy Back to its Roots

Background

Back Street businesses, defined as small- and medium-sized industrial and commercial companies, have traditionally thrived in inner cities, given the competitive advantages of proximity to downtown, access to an eager local workforce, and ability to service large urban customers, and are an important piece of an inner city economy.

Back Street businesses, which include manufacturing, logistics, wholesale, construction, food processing and business and commercial services, provide well-paying jobs that help many inner city residents, especially those from immigrant families, climb the socioeconomic ladder.

The economic well-being of a small industrial company has never been a major consideration. A study by the Boston Consulting Group found that Back Street businesses are vital to Boston's economy. There are more than 4,000 Back Street businesses in Boston that employ more than 100,000

people (21% of Boston's workforce). Together, they annually pay over \$30 million in taxes.

Despite their importance, Back Street businesses in Boston's land have been declining for decades as the city began to shift to a knowledge-based economy in the 1980s and 1990s. By now, only 3% of Boston's land remained zoned for industrial use. The City of Boston has learned that Back Street businesses have been leaving the inner cities for Boston's less expensive suburban areas.

How it worked: In the early 2000s, the City began a series of focus group sessions that brought together Back Street businesses to identify their concerns.

Many of the business owners expressed frustration with Boston's development policy; others felt pressured by neighbors, who had been complaining about noise and traffic.

In response to these focus groups, Mayor Thomas Menino established the Boston Back Street Office (BSO) in November 2001. The BSO works with Boston's Back Street businesses in four primary areas:

Land and Space: The City committed \$5 million over 5 years to upgrade industrial roadways, sidewalks, lighting and other infrastructure.

Navigation and Access: The BSO seeks to make Boston an attractive and hospitable place for Back Street companies to do business by streamlining processes, assisting with location decisions, providing information about the various business assistance programs.

Workforce: Back Street employment has provided for the families of many immigrants. The BSO provides help in training local residents for Back Street employment through English-language and financial literacy courses, and well as hard-skill training that reduces risk for employers and saves operational costs.

Access to Capital: The BSO has increased awareness about various low-cost and tax-exempt bond programs. The City committed \$1 million in new funds to the Boston Local Development Corporation, which provided small business loans to better support Back Street businesses.

Results for Local Economy: Through the BSO, hundreds of Back Street businesses have stayed in Boston. In 2013 this effort resulted in the creation or retention of more than 700 jobs. Some of these businesses include Grand Ten Distilling, Boston Salads and the Boston Flower Exchange.

Industrial preservation has been most successful in Newmarket, Hyde Park and East Boston.

Back Street businesses have been especially important to the growth of Boston's local food cluster, which relies heavily on the preservation of industrial space. It is a vital sector for inner city job growth.

Remaining Challenges: Despite the BSO's efforts, industrial activity in the Boston region continues to decline. The Boston region has lost 94,000 manufacturing jobs over the past decade.

Still, the Boston region remains the 8th strongest manufacturing economy in the country, largely due to aerospace, electronics and pharmaceuticals. Jobs in these sectors require a high amount of skill and training. Stronger workforce development programs are needed to train inner city residents so that they can access these types of positions.

Lessons Learned: Understanding the needs of Back Street businesses is a critical first step toward improving their presence in Boston.

Boston's approach – bringing Back Street companies together through focus groups – was vital in terms of understanding the needs and challenges these businesses face. The focus group both helped the City understand the needs of Back Street businesses and helped Back Street businesses to foster new relationships and create business opportunities.

Task 1

1. What are Back street businesses?
2. What economy is called knowledge-based?
3. What caused the decline of small businesses in Boston?
4. Why are Back street businesses important for the City of Boston?
5. How did the City council approach the problem?

Task 2

1. What are the purpose and mission of the Back street office?
2. What other supportive actions are necessary?
3. How can the area help residents from immigrant families adopt to knowledge-based economy?
4. Do you think that small businesses need local and federal funding?
5. What is human capital? How does it differ from workforce?

Task 3

In small groups discuss possible ways to connect small businesses to large corporate anchors to ensure support for Back street businesses.

Task 4

Hold negotiations between the BSO and neighborhood social groups complaining on industrial noise and traffic from small businesses.

Task 5

As an owner of a small business, you face a number of problems. Address the BSO for advocacy and funding. Provide all reliable information.

Task 6

Learn more about the importance of inner city industrial activity ICIC's latest infographic. Prepare a survey. For more information, visit Boston Back Streets at <http://www.bostonredevelopmentauthority.org/>

Case 55 San Francisco Engages Tech Companies Through Community Benefits Agreements

Background

San Francisco's technology-based economy and entrepreneurial culture allowed many small and startup tech companies to grow into highly successful and industry leaders. As these businesses expanded, they required larger office spaces, which were hard to find. San Francisco's Central Market and Tenderloin areas offered space for expansion, though they were also home to high levels of poverty and had been largely disconnected from economic growth.

Recognizing an opportunity to transform these distressed areas, the City of San Francisco implemented a strategy using tax incentives and community benefits agreements to both retain companies and engage them in the revitalization of the area.

In 2011, Mayor Ed Lee and the City's Board of Supervisors announced that businesses located in the Central Market and Tenderloin neighborhoods could claim up to six years of payroll tax exemptions for any new jobs created in that timeframe. This incentive is particularly attractive to growing technology businesses, and lured big name companies to these neighborhoods, including Twitter, Zendesk and Yammer.

In order to counteract the potential negative effects of large companies moving into the area, including redevelopment for both businesses and residents, the city instituted a policy requiring companies with more than \$1 million in payroll expenses to negotiate a Community Benefits Agreement (CBA), a contractual obligation to engage in community and economic development efforts.

How It Works: Any company seeking to take advantage of the Central Market and Tenderloin Area Payroll Expense Tax Exclusion must first

submit an application to the City's Office of Economic and Workforce Development (OEWD), and enroll in the city-run First Source Hiring program, which connects local residents to entry-level jobs.

The City Administrator's Office and the Citizens' Action Committee hold a town hall meeting, inviting local residents, non-profits, and community stakeholders to voice any concerns they may have about the eligible company.

The company must propose initiatives to support local workforce development and community programs through contributions of time, money, products, and services and address the needs of the community.

While the tax exclusion is available to eligible companies for up to six years, compliance for annual renewal of the tax exemption is required. Companies that have achieved a minimum of 80% of their outlined objectives and have fulfilled their obligations are eligible for renewal the following year.

Results of the Program: In 2012, the City of San Francisco granted \$1.9 million worth of payroll tax exclusions to 14 companies in the Central Market and Tenderloin area.

While it's difficult to measure the exact value, the City Administrator's Office estimates that the return to the community exceeds the foregone tax revenue. Examples of benefits to the community:

- *Twitter:* Supported nonprofits through grants and in-kind service donations valued at approximately \$130,000; provided tutors at Tenderloin Tech Lab, which helps build technology-related vocational skills for local residents; provided programs with SMART, College Track, and Girls Who Code that focus on preparing youth for future education and career opportunities

- *21 Tech:* Has collaborated with San Francisco's First Source Hiring program to recruit local interns and employees

- *Yammer:* Has supported local organizations engaged in workforce development, including a \$496,000 software donation to Hire Up, which prepares homeless and at-risk youth for employment opportunities, and \$16,000 worth of equipment to the Tenderloin Tech Lab.

Task 1

Answer the following questions

1. What initiative did the City of San Francisco come forward with?
2. What advantages do companies get under the program?

3. How does the community benefit from the initiative?
4. What is a payroll tax? Who is subject to it?
5. What is foregone revenue? Explain the economic meaning of the term.

Task 2

Discuss the issues

1. What is the purpose of San Francisco initiative?
2. How has San Francisco engaged the private sector in revitalization of disadvantaged neighborhoods?
3. What requirements should a company meet to become eligible for payroll tax exemptions?
4. What other benefits can businesses be granted for the involvement in economic development of local areas?
5. How important are the returns from the program to the community?

Task 3

In groups discuss possible further involvement of private businesses into vocational training for at-risk young people.

What other interesting programs could be designed?

Who would be eligible?

What are employment opportunities?

Task 4

Hold a town hall meeting to vote for/ against eligibility of a high tech company for tax benefits.

Task 5

You apply for annual renewal of tax benefits. Prepare a presentation on your achievements and initiatives to support local community. How to measure the value of the fulfillment of agreements?

Task 6

Summarize the current results of the program.

What are the challenges?

Are there any loopholes?

Study Framework for Community Benefit Agreements Central Market Citizen's Advisory Committee.

Prepare a presentation on its main issues.

Case 56 Pay-for-Performance Puts Twin Cities' Neediest Residents to Work

Background

Traditional workforce training programs often require the service provider to meet certain performance goals, thereby forcing the provider to choose participants from the top in order to meet those goals. Ultimately, this means that the residents in needs often have the least access to the vital resources to help them prepare for employment.

In 1993, Steve Rothschild, a former Executive Vice President at General Mills, founded Twin Cities RISE!, the State of Minnesota, U.S., an innovative workforce development organization whose mission is “to provide employers with skilled workers – primarily men from communities of color in the Twin Cities area – by training underemployed and unemployed adults for skilled jobs that pay a living wage of at least \$20,000 annually” with benefits.

TCR! has since evolved to include low-income residents from all backgrounds.

How it Works: Those interested in the program must attend a one-hour orientation and complete a reading assessment. Then, program coaches decide who will be admitted into the program.

Participants go through an 8-week provisional period, Foundation 1, which includes career, writing and computer fundamentals. Upon completion, TCR! participants are offered to sign an agreement for a loan to continue training. The training costs approximately \$18,000 for TCR!, that TCR! will give participants a \$7,500 forgivable loan for that training, but if the participant does not complete the full TCR! program, he or she must repay that \$7,500 in full.

Foundation 2 dives deeper into career fundamentals, speech craft and career tracks. Foundation 3 prepares participants for employment with help in topics like resume writing, interviewing and negotiating job offers. A final “Advanced” stage focuses on marketing candidates and assists with the job search strategy.

Through every stage training focuses on restructuring a person’s mindset by teaching ways of thinking and behaving that are more conducive to success.

Unlike traditional workforce development programs, the TCR! model puts employers at the forefront; employers are the primary customers of TCR! services. Half of the board of directors is comprised of business professionals.

There are two unique aspects of the TCR! model that have contributed to its success. First, employers from across industries help design the curriculum each year. The business community offers internships, conducts mock interviews, and ultimately, hires graduates from the program.

Second, TCR! has reached a funding agreement with the state of Minnesota to develop an innovative financing tool. Using a pay-for-performance model, the state pays TCR! \$9,000 when TCR! demonstrates that it has placed one of its graduates into a job that pays at least \$20,000 annually, and an additional \$9,000 if the graduate remains in that position for at least one year.

Results for Local Economy: The state gains a total benefit of \$31,000 when a person's income increases from \$10,000 to \$20,000 by the simple fact that he or she is no longer on state subsidies, and contributes to the state's tax rolls. For every \$1 invested in the TCR! program by the state, \$7.71 are returned to taxpayers amounting to a 671% return. Participants' annual income increases by an average of 355% to \$26,788. Among graduates, 81% remain in their jobs after one year; 70% remain for more than two years.

Remaining Challenges: Converting recruits into active Foundation 2 participants remains a challenge. In 2010, TCR! generated nearly 4,000 applications and of these, only 805 were admitted into the initial 8-week session. Only 172 completed the 8-week session, and only 130 of these signed the contract and enrolled in Foundation 2 and signed the legally-binding contract to accept the loan and participate in the program.

Many of those who are recruited are not converted into active program participants because they face other life challenges: drug abuse, homelessness, lack of child care and/or poor reading and writing skills.

While TCR! has some funds available for supplemental services, substance abuse and housing continue to hinder participant success. TCR!, on its own, cannot provide the services needed to help participants overcome these barriers.

Lessons Learned: A critical feature of the TCR! model is the inclusion of the component that helps participants understand that only they have the power to reshape their destinies and increase the likelihood of success.

Task 1

Answer the following questions:

1. Where does the case take place? What are specific problems of the Twin Cities?

2. Who are the participants?
3. What are the objectives of the program?
4. Is the program a state or a private initiative? Is it an example of successful partnership?
5. How does the program work? Who is it focused at?
6. How does the program differ from other vocational training programs?

Task 2

Discuss the issues

1. What could be done to attract more businesses to the program?
2. How could the number of participants at the second stage be increased?
3. Do you agree the model is beneficial for taxpayers? For the state? For business community? Give reasons.
4. Besides vocational training, what else should a community do to reduce poverty rate and demographic problems?
5. Can you think of other examples of a private initiative that benefited a local area?

Task 3

In groups discuss possible initiatives to reduce the rate of unemployment among the disadvantaged social groups.

Task 4

Hold a meeting to suggest ways to attract more business partners into the retraining program to reduce costs for trainees. What benefits can businesses gain?

Task 5

In pairs answer the question: how can civil community help TCR! recruits to retain in the program?

Task 6

Individually research about Twin Cities RISE! Visit <http://twincitiesrise.org>. Give a presentation.

Заключение

Учебная деятельность студента рассматривается в процессе освоения дисциплины как совокупность познавательной деятельности. В психолого-педагогическом плане учебная деятельность представляет собой упорядоченную динамическую систему, которая включает чтение, прослушивание, наблюдение, критическое осмысление, обобщение, систематизацию, рефлексорное воспроизведение, запоминание. Процесс усвоения знаний по дисциплине подразумевает работу с теоретическим материалом и развитие практических навыков, необходимых впоследствии для успешной деятельности в педагогической области. Таким образом, одной из проблем высших учебных заведений является подготовка кадров, которые обладали бы профессиональными компетенциями и отвечали бы всем экономическим вызовам, с которыми сталкивается как российская, так и глобальная экономика.

Характерным примером формирования содержания профессионального образования с учетом потребностей обучаемых является профильно ориентированное обучение иностранному языку. Несомненным достоинством технологии кейсов является не только получение знаний и формирование практических навыков, но и развитие системы ценностей студентов, профессиональных позиций, жизненных установок, профессионального мироощущения. Важным качеством является стремление к самосовершенствованию не только в профессиональном, но и в нравственном плане, повышение самооценки, повышение чувства собственной значимости. Будучи интерактивным методом обучения, кейс завоёвывает позитивное отношение со стороны обучаемых, обеспечивая освоение теоретических положений и овладение практическим использованием материала, таким образом оптимизируя процесс профессионализации студентов.

Наконец, данный дидактический метод включает концепцию педагогической технологии «создания успеха», преподаватель стимулирует достижения студентов, что является одной из устойчивых позитивных мотиваций в обучении познавательной деятельности, и особенно иностранным языкам.

Авторы данного учебного пособия надеются, что методические приёмы, положенные в основу издания, позволят изучающим финансовые дисциплины приобрести необходимые знания, соответствующие государственным и международным стандартам обучения.

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