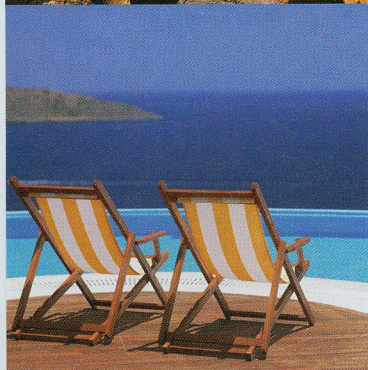
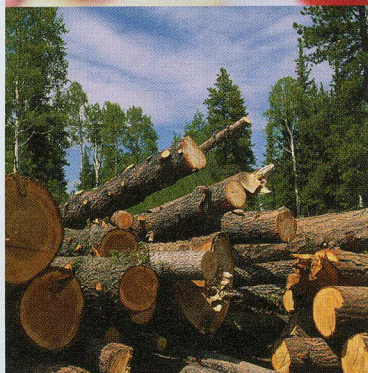
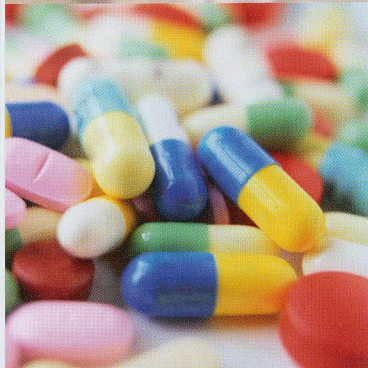
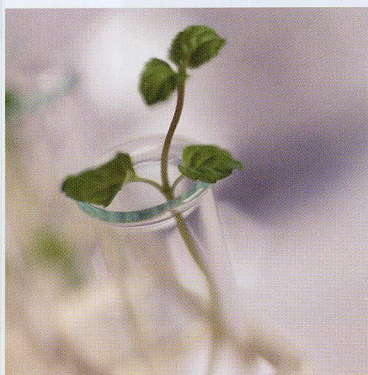


Business fundamentals

- ▶ industry groups and sectors
- ▶ types of business, business models and management structure



Glossary

PAGE 148

beverage
dividend
equities
utility

Business organization

Discussion

- 1** With a partner, decide which industry group and sector these companies belong to.

BASF Boeing Carrefour China Life GlaxoSmithKline Google Nestlé Total

Industry group	Sector
Oil & Gas	Oil & Gas Producers, Oil Equipment & Distribution, Alternative Energy
Basic Materials	Chemicals, Forestry & Paper, Industrial Metals & Mining
Industrials	Construction, Aerospace & Defence, Packaging, Electronic & Electrical Equipment, Engineering, Transportation, Business Support Services
Consumer Goods	Automobiles, Food & Beverages, Personal & Household Goods, Tobacco
Health Care	Health Care Equipment and Services, Pharmaceuticals & Biotechnology
Consumer Services	Retail, Media, Travel & Leisure
Telecommunications	Fixed and Mobile Telecommunications
Utilities	Electricity, Gas, Water
Financials	Banks, Insurance, Real Estate, Equities
Technology	Software, Hardware, Computer Services

- 2** List five large companies in your country. Identify their industry group and sector.

Reading

- 3** Read the summaries and name companies or people you know for each category.

Type of business

Sole trader/Sole proprietorship The business is owned by one person who is responsible for any debts.

Partnership Two or more people run the business together. All partners share profits and losses.

Limited company/Limited liability company (Ltd/LLC) The company is responsible for any losses, not the owners. The company is private, i.e. shares cannot be sold to the public.

Public limited company/Corporation (plc/Corp/Inc) The company is owned by shareholders who receive dividends and who may gain or lose money if the share price goes up or down.

Business model

B2B (business to business) Companies sell to companies.

B2C (business to consumer) Companies sell to individuals.

C2C (consumer to consumer) Individuals sell to individuals.

B2B2C (business to business to consumer) Third-party vendors or consultants sell a company's products to consumers.

Management structure

The Board Chairman, CEO, CFO, Non-Executive Directors

The Management Committee/top management CEO, CFO, Directors of Marketing, HR, IT, etc.

Middle management Managers of divisions, departments, branches, etc.

Supervisory/first line management Supervisors, team leaders, etc.

Discussion

- 4** In groups, discuss the questions.

- 1 Which sectors and types of business would/wouldn't you like to work in? Why?
- 2 What level of management do you hope to reach in the short-term and in the long-term?

- the business cycle
- the investment cycle

Economic cycles

Reading

- 1 Read the article and choose the best alternative in bold.

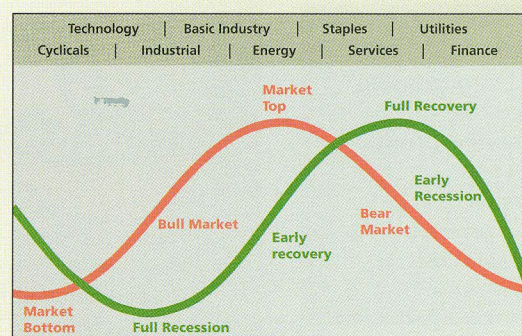
The Business Cycle

Economic growth usually follows a pattern of contraction and expansion punctuated by troughs and peaks.

When an economy is in recession, central banks lower interest rates to encourage spending. After reaching market bottom, stock markets start to invest in the technology and industrial sectors. The bull market begins well before recovery is visible in the economy.

The stock market reaches market top before full recovery in the economy, and investors move into staples and services. But as growth increases, so does inflation and central banks raise interest rates in order to control it.

The markets then expect a period of contraction and become bearish: investors prefer to invest in utilities and bonds. Economic growth starts to slow, the economy moves into recession and the cycle continues.



Glossary PAGE 148

bear market
bond
bull market
euphoric
greater fool investor
staple
trough
value investor

- 1 Interest rates usually **rise** / **fall** in a period of recession.
- 2 When inflation increases, central banks **lower** / **raise** interest rates.
- 3 A bull market is **optimistic** / **pessimistic** about the economy.
- 4 A bear market begins **before** / **after** recession.
- 5 Bonds are a more popular investment than stocks in a **bull market** / **bear market**.

- 2 Read the article and mark statements 1–5 T (true) or F (false).

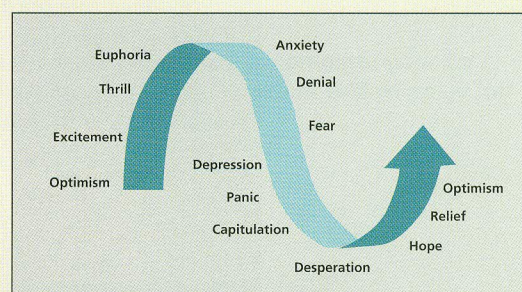
The Investment Cycle

The first phase is accumulation. After the market has bottomed, innovators and early adopters begin to buy at attractive prices in a market which is still bearish.

In the mark-up phase, the fear of the majority of investors of losing money becomes weaker than the desire to make a profit and investors become first bullish, then excited and finally even euphoric.

In the distribution phase, value investors begin to sell. Prices can remain high for some time and greater fool investors continue to buy, hoping for further rises. Eventually, prices drop and sellers settle for a breakeven or a small loss.

Mark-down is the most painful phase. It is only when the market has plunged 50% or more that many investors first panic, then give in.



Adapted from <http://www.investopedia.com>

- 1 Early adopters are unwilling to take risks. ☐
- 2 Innovators buy when the market is bullish and sell when it is bearish. ☐
- 3 Most investors buy when prices are rising and sell when they are falling. ☐
- 4 During the distribution phase, value investors wait until prices begin to drop before selling. ☐
- 5 Greater fool investors prefer to make a small loss rather than accept a breakeven. ☐

Discussion

- 3 In groups, discuss the questions.

- 1 What stage of the business cycle is the economy in now? How long will it last?
- 2 What are the advantages and disadvantages for individuals, companies and countries when central banks a) raise or b) lower interest rates?

Business fundamentals

▶ completing income statements

▶ producing a breakeven analysis chart

Glossary PAGE 148

cost of goods sold
fixed cost
operating profit
plot
royalty
sales revenue
variable cost
wholesaler

Breakeven analysis

Reading

1 Read the article and complete figures a–d in income statements A and B.



Zak and Zeb Duchovny started their own independent record label five years ago. ZaZeD

Records receives around half of a CD's €15 recommended retail price (RRP) from wholesalers, who then sell on to record stores at around 60% of RRP. Choosing the right music is critical: income statements A and B illustrate the difference between selling (A) 10,000 and (B) 100,000 records. Clearly, identifying breakeven point is essential. What's more, the music business is going through a major revolution with the rise of digital downloads (DD). For ZaZeD Records, DD sales are bad news: RRP's are significantly lower, so although manufacturing costs are close to zero and royalties one third lower, revenues are 33% less than for CDs.

ZaZeD Records Income statement (figures in €K)	A	B
Sales revenue	75	750
Less variable costs		
Cost of goods sold	6	60
Promotion	7.5	75
Artists' royalties	10	100
Mechanical royalties	6	60
Total variable costs	a) ____	c) ____
Less fixed costs		
Salaries, rent, utilities, etc.	150	150
Operating profit (loss)	b) ____ ()	d) ____



2 Draw a breakeven analysis chart with € on the vertical axis from 0 to 750, and sales on the horizontal axis from 10K to 100K. (See the example on page 119.) Enter the following information:

- 1 Draw a horizontal line representing ZaZeD Records' fixed costs.
- 2 Plot the sales revenues for turnover of a) 10,000 and b) 100,000 albums and draw a straight line connecting these two points.
- 3 Plot the total for fixed plus variable costs for turnover of a) 10,000 and b) 100,000 albums and draw a straight line connecting these two points.
- 4 With a partner, calculate the same revenues and costs for digital downloads rather than CDs. Using another colour, draw lines for DD revenues and total costs on the chart.
- 5 Draw vertical lines from the horizontal axis to the points where the revenue and total costs lines cross to identify the respective breakeven points.

Discussion

3 In small groups, discuss the questions.

- 1 What sort of questions does a breakeven analysis provide answers to?
- 2 What are the implications of the trend towards digital downloads for record labels, artists, composers and consumers?

- ▶ dynamic collocations for CVs
- ▶ writing your CV
- ▶ roleplaying a job interview

CVs and recruitment

Collocations

1 Using 'power verbs' to make dynamic collocations helps your CV have maximum impact. Connect the verbs in the boxes to as many nouns as possible.

I	+	achieved acquired coordinated conducted dealt with demonstrated designed developed	+	results problems the ability to skills a study systems a project experience
I	+	improved liaised with managed met organized ran reduced set up	+	performance a programme colleagues objectives errors procedures an event a budget

Glossary PAGE 148

achieve
budget
deal with
handle
liaise
objective
reference
set up

2 With a partner, brainstorm more nouns that collocate with these 'power verbs'.

arrange check ensure establish follow handle
increase introduce monitor plan research update

Writing and roleplay

3 Imagine yourself ten years from now. Using the framework below, complete your CV with collocations from Exercises 1 and 2. Then exchange CVs with a partner and roleplay job interviews for positions you would like to obtain in ten years' time.

Name

Date of birth

Nationality

Contact details

Career objective(s)

Major achievements

Professional experience

Education & training

Skills & abilities

Other

References

1 Building a career

▶ getting a degree: who should pay?

▶ higher education

1.1 About business The education business

Discussion

1 In small groups, discuss the questions below.

- 1 What difference does a degree make to your career and your earning potential?
- 2 How much does a degree course cost in your country?
- 3 How much does it cost a university to provide a degree course?
- 4 Who should pay for higher education?
- 5 Should students from richer families pay more than those from poorer ones?
- 6 How can universities persuade students to pay higher fees?

Scan reading

2 Read *What price a degree?* opposite and identify which points in Exercise 1 are discussed.

Reading for detail

3 Read the article again and choose the best answer to each question.

- 1 Which education policies have caused unrest across the world?
 - a) wider access
 - b) lower subsidies
 - c) wider access and lower subsidies
- 2 How much does the UK government contribute towards the cost of a degree?
 - a) around £100,000
 - b) between £50,000 and £100,000
 - c) less than £50,000
- 3 How do scholarships appear to favour students from wealthy families?
 - a) they are better prepared
 - b) they have equal opportunities
 - c) they can pay for awards
- 4 What evidence suggests that the social benefits of education do not justify their cost?
 - a) taxpayers have other resources
 - b) taxpayers have other agendas
 - c) taxpayers have other benefits
- 5 Why might universities show a preference for foreign students?
 - a) they accept larger classes
 - b) they exclude deserving locals
 - c) they accept higher fees
- 6 Why don't private business schools need to increase class sizes or cut faculty pay?
 - a) they can justify higher fees
 - b) they have no subsidies
 - c) they have resisted increases

Internet research

Search for the keywords *world's best universities* and *best business schools*. Choose the institution you would most like to attend. Hold a class opinion poll to find the most popular choices.

Listening and discussion

4 1:01–1:04 Listen to four students reacting to the article. Match each speaker 1–4 with the correct summary a–d.

- a) Education should be for all. ☐
- b) Universities are obsolete. ☐
- c) Let market forces decide. ☐
- d) Reserve universities for the elite. ☐

5 Discuss your own reactions to the article and your opinions on elitism in education.



What price a degree?

Take a random sample of views on higher education in almost any country in the world and you'll find that almost everyone believes that sending as many young people to university as possible is a good thing. What's more difficult to agree on is who should pay. The debate is a controversial one: cuts in higher education funding have sparked unrest in many countries across the world, including Austria, Germany, Chile, Colombia and the UK. Protests in the form of strikes, demonstrations and even riots prove that people are willing to go to great lengths to defend their right to higher education.

Widening access to a university education is an admirable political goal, but the uncomfortable truth is that governments simply do not have the resources to match their ambitions. Faced with this reality, many believe that universities should be paid for by those who get the most benefit from them: graduates. Certainly, a rough cost-benefit analysis suggests that students get good value for their money. A recent UK report estimates that the real cost of a degree is in the region of £100,000. Under the latest system, the average graduate will pay back no more than half of that, and only start to pay if and when their annual earnings are more than double the minimum wage.

However, others feel that this system favours students from well-off families, who can put the prospect of paying off such a sum into perspective. For bright but poorer teenagers from working-class families, taking on such enormous debt is a mountain to climb. Even the scholarships that are intended to offer equal opportunities are mostly awarded to students who have benefited from special coaching at expensive private schools.

If graduates themselves don't pay, then responsibility falls to the taxpayer. Thus, a majority of taxpayers, mostly earning significantly less than graduates, end up paying for a minority of students, many of whom will go on to become comfortably wealthy. Now, robbing the poor to pay the rich might be justified, as long as it can be proved that the overall benefits of education to society are greater than its cost. However, the trend towards cuts in education budgets across the world points unmistakably to the fact that the ordinary taxpayer does not see the benefits to society, and would rather see public money spent elsewhere.

Unfortunately, the question of who should pay has

been exacerbated by a dramatic rise in the cost of providing higher education. Despite a growing cross-border market for education, competition and new delivery models like e-learning have failed to cap universities' spiralling costs. Whether governments continue to provide subsidies or not, and in spite of massive hikes in student fees, university revenues remain significantly lower than their costs. This presents universities with new dilemmas. Should they try to cut costs by having larger classes and less experienced faculty? Should they increase fees further? And should they offer more places to higher-paying foreign students, at the risk of excluding deserving locals?

Intriguingly, private business schools do not meet the same resistance to price increases, and numbers of for-profit institutions have grown rapidly to meet the increasing demand for higher education. How is it that these businesses continue to be profitable when universities are unable to cope? The essential difference is that private business schools have been willing and able to invest money in improving quality and providing new and better facilities and services. These schools understand that they can only increase their perceived value to the customer by offering top-class conditions for learning and by serving their graduates well beyond their degree ceremonies. When private business schools offer a complete program of study, extracurricular activities, counselling, networking, placement and ongoing professional development services, their fees suddenly seem less excessive. Put simply, people will happily pay more if they can see they're getting better value for their money. Public universities, no longer sheltered by benevolent governments and taxpayers, now find themselves exposed to a potential extinction event. Adopting the business school model may prove the only alternative to going the way of the dinosaurs.

INSEAD

Glossary

PAGE 149

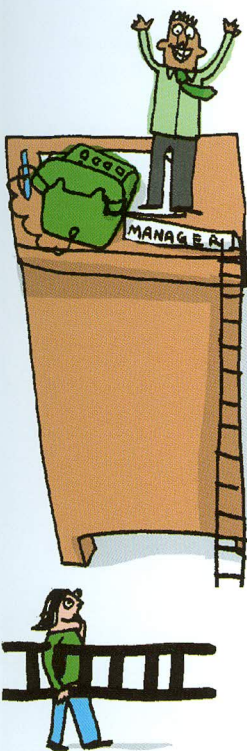
cap
exacerbate
extracurricular
faculty
fee
hike
spark
subsidy

Building a career

collocations relating to higher education

action verbs for CVs

verbs relating to career stages



1.2 Vocabulary Education and career

Brainstorming

- 1 Think of as many good reasons as possible for studying business.
- 2 The letter below discusses reasons for attending business school. Choose one verb for each of 1–10 to complete the letter with the correct collocations.

Dear Sonia,

You asked my advice about going to business school. Well, don't miss out on a wonderful opportunity to (1) **gain / boost / make** knowledge and to (2) **make / acquire / do** skills which will serve you for a lifetime. As well as (3) **gaining / receiving / improving** your employability and (4) **having / boosting / making** your future earnings, you'll (5) **get / have / obtain** lots of fun (6) **going to / doing / getting** parties and (7) **doing / making / learning** friends. If you choose a good school, you'll (8) **enhance / receive / learn** tuition from experienced professors and (9) **obtain / do / make** practical experience that will really (10) **enhance / obtain / gain** your CV. In your shoes, I wouldn't hesitate for one moment!

- 3 Look again at the list you made in Exercise 1. Are any of the ideas in the letter to Sonia the same as yours? Which phrases would you add to your list?
- 4 With a partner, decide which collocations from Exercise 2 relate to professional rather than personal experience. Use them to write sentences about yourselves that you could use in a job interview.

Reading and vocabulary

- 5 Complete the extract about how to pay for studies with the verbs from the box.

arrange borrow finance obtain subsidize support win

If you're not lucky enough to be married to a millionaire or to have parents with very deep pockets, you may be wondering how to (1) _____ the next step in your education. Customs vary from country to country. One of the most popular solutions is to (2) _____ a student loan, sometimes interest-free or tax-deductible, that is only repayable when you are in full-time work. Many students who are unable to (3) _____ money from friends or family prefer to (4) _____ themselves by working part-time, and some are able to (5) _____ grants from local government or to (6) _____ scholarships from their universities. If you're already in work, try persuading your employer to (7) _____ your studies – in some countries, companies are bound by law to contribute towards further education.

Discussion

- 6 What are the advantages and disadvantages of the methods of financing your education mentioned in the article? Which ones would you use?
- 7 Work with a partner. You are going to ask questions and exchange information to complete a description of a businesswoman's education. Student A: turn to page 114. Student B: turn to page 116.
- 8 Talk about your education. Was it different from your parents' education? What sort of education would you like your own children to have?

Glossary PAGE 149

boost
deep pockets
drop out
enhance
miss out
start over
working party

Vocabulary

9 Complete the CV with appropriate action verbs from the boxes. Then use them to write sentences for your own CV.

contacted exceeded met presented recruited trained

2006–2008 Sales manager, Way2Go Travel, UK

- (1) _____ corporate clients by phone and (2) _____ incentive travel programmes to Boards of Directors
 (3) _____ and (4) _____ new sales reps
 (5) _____ sales targets for every month and (6) _____ annual objectives by 20%

chaired designed drew up implemented managed motivated

2008–2011 Sales and marketing manager, Hondo Holidays, Texas

- (7) _____ sales materials and (8) _____ innovative advertising campaigns
 (9) _____ and (10) _____ a team of 40 telesales operators
 (11) _____ a working party and (12) _____ proposals for a new e-commerce division

Paraphrasing

10 Decide which verbs from the box can refer to people who:

to be dismissed to be laid off to be made redundant to be on assignment
 to be promoted to be resting to be suspended to be transferred
 to give in your notice to join a company to quit to take a sabbatical

- | | |
|--|--|
| 1 are currently enjoying having no work. | 4 are leaving a job they were unhappy with. |
| 2 lost their jobs due to poor company performance. | 5 are making a geographical change. |
| 3 are making positive career moves. | 6 lost their job due to disciplinary problems. |

Listening for gist

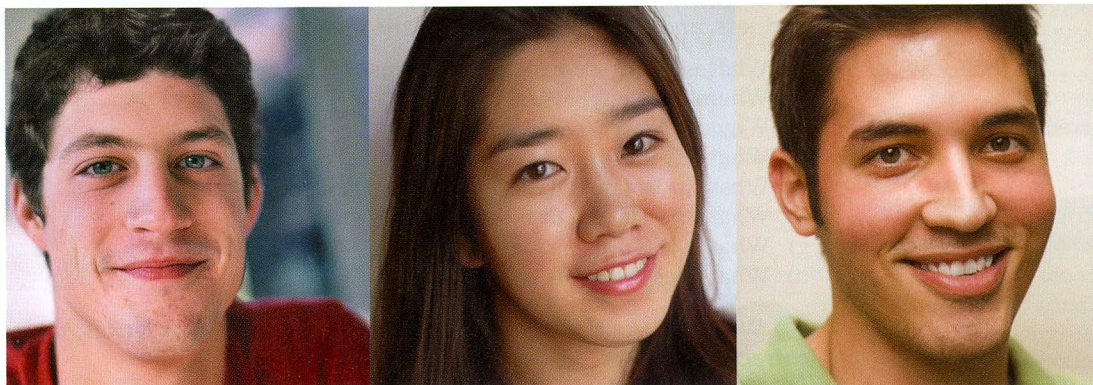
11  1:05–1:10 Listen to six speakers talking about career changes. Use expressions from Exercise 10 to describe each situation.

12 With a partner, discuss the situations below. What would you do if:

- you were promoted to a job you knew was too difficult for you?
- you were made redundant after 25 years' service?
- you were unfairly dismissed for harassing an employee?
- you gave in your notice the day before the firm announced a 33% salary increase?
- you were transferred to Alaska?
- you were on sabbatical for a year?

Listening and discussion

13  1:11–1:13 Listen to three people talking about career choices. Make notes on the problems they face. Discuss what you would do and why. Then compare your answers with page 119.



Internet research

Search for the keywords *action verbs for résumés/ cvs*. Update your CV using dynamic action verbs and phrases.