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ФАКУЛЬТЕТ МЕЖДУНАРОДНЫХ ОТНОШЕНИЙ
КАФЕДРА АНГЛИЙСКОГО ЯЗЫКА
ЭКОНОМИЧЕСКИХ СПЕЦИАЛЬНОСТЕЙ

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*(Английский язык в сфере
международного бизнеса)*

Пособие для студентов экономических
специальностей

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English in International Business

for students of economics

АНГЛИЙСКИЙ ЯЗЫК В СФЕРЕ МЕЖДУНАРОДНОГО БИЗНЕСА

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экономических специальностей

Под редакцией С. А. Дубинко

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Данное учебное пособие подготовлено в соответствии с типовыми программами, разработанными кафедрой английского языка экономических специальностей «Английский язык как первый иностранный язык», «Английский язык для специальных целей»: 1-25 01 03 «Мировая экономика», 1-26 02 02 «Менеджмент» (специализация 1-26 02 02 10 «Менеджмент в сфере международного туризма», 1-26 0101 «Таможенное дело». Пособие построено на аутентичных текстах специального профиля по тематике экономической направленности. Включает современные методические приемы анализа, презентации и разработки деловой документации компаний, упражнения по развитию навыков устной речи и делового письма. Предназначено для студентов-международников экономических специальностей.

ПРЕДИСЛОВИЕ

Данное учебное пособие по своей тематике и целевой направленности представляет собой логическое продолжение учебного пособия “English in Business Communication” и предназначено для студентов экономических специальностей, а также для широкого круга лиц, изучающих английский язык на продвинутом этапе с целью использования его в сфере делового общения. Пособие подготовлено в соответствии с учебной программой «Английский язык как первый иностранный язык (для студентов экономических специальностей)» и «Английский язык для специальных целей. Включение в пособие текстов общенаучного и экономического характера позволяет использовать его в курсе устной практики, в обучении деловому общению, в преподавании бизнес-курса, а также в обучении навыкам перевода и реферирования текстов по специальности.

Пособие имеет целью дальнейшее развитие у студентов навыков чтения, совершенствование навыков говорения и письма на основе аутентичных текстов из современной английской и американской экономической литературы, а также общенаучных периодических изданий.

Информативность и актуальность используемого материала дает возможность преподавателю использовать данное пособие как для аудиторных занятий, так и в различных формах контролируемой самостоятельной работы с выходом в монологическую устную и письменную речь, в обучении навыкам ведения дискуссии в рамках таких важных тем как «Реклама компании», «Современные рекламные технологии», «Рабочий день в компании» и др.

Важно отметить, что речевые упражнения построены с учетом выхода в монологическую и диалогическую формы речи, что позволяет использовать их в подготовке проектов, презентаций, переговоров, интервью. Все языковые упражнения имеют целью расширение и закрепление у студентов лексического запаса в сфере общения на профессиональные и общенаучные темы.

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CHAPTER I

UNIT 1. THE LANGUAGE OF ADVERTISING

Exercise 1. Below is a list of techniques which advertisers commonly use to persuade us to buy their products.

Association of ideas 6. 'Before and after'

Key words 7. 'The camera never lies'

Guilt 8. Repetition

'Science' 9. Brand names

Expertise 10. 'Keeping up with the Joneses'

Find out exactly what each of these techniques involves by reading the descriptions below and matching them correctly with one of the labels from the above list. Write your answers in the spaces provided.

(a) _____

Some products are advertised as having a remarkable and immediate effect. We are shown the situation before using the product and this is contrasted with the situation that follows its use. Taking a tablet for a headache in such advertisements can have truly remarkable results. For not only has the headache gone, but the person concerned has often had a new hair-do, acquired a new set of clothes and sometimes even moved into a more modern, better furnished house.

(b) _____

One thing reminds us of another – especially if we often see them together. These reminders are sometimes more imaginary than real: for some people snow may suggest Christmas, for others silver candlesticks may suggest wealth. The advertiser encourages us to associate his product with those things he thinks we really want – a good job, nice clothes, a sports car, a beautiful girlfriend – and, perhaps most of all, a feeling of importance. The 'image' of a product is based on these associations and the advertiser often creates a 'good image' by showing us someone who uses his product and who leads the kind of life we should like to lead.

(c) _____

Advertisements often encourage us to believe that because someone has been successful in one field, he should be regarded as an authority in other fields.

The advertiser knows that there are certain people we admire because they are famous sportsmen, actors or singers, and he believes that if we discover that a certain well-known personality uses his product, we will want to use it too. This is why so many advertisements feature famous people.

(d) _____

Maybe we can't always believe what we're actually *shown*. The trouble is that when we look at the photograph we don't know how the photograph was taken, or even what was actually photographed. Is that delicious-looking whipped cream really cream, or plastic froth? Are the colours in fact so glowing or has a special filter been used?

It is often difficult to tell, but you can sometimes spot the photographic tricks if you look carefully enough.

(e) _____

If you keep talking about something for long enough, eventually people will pay attention to you. Many advertisements are based on this principle.

If we hear the name of a product many times a day, we are much more likely to find that this is the name that comes into our head when the shopkeeper asks 'What brand?' We usually like to choose things for ourselves, but if the advertiser plants a name in our heads in this way he has helped to make the choice for us.

(f) _____

In this age of moon flights, heart transplants and wonder drugs, we are all impressed by science. If an advertiser links his claim with a scientific fact, there's even a chance we can be blinded by science. The question is simply whether the impressive air of the new discovery or the 'man-made miracle' is being used to help or just to hoodwink us.

(g) _____

Advertisers may try to make us want a product by suggesting that most people, or the 'best' people, already use it and that we will no doubt want to follow them. No one likes to be inferior to others and these advertisements suggest that you will be unless you buy the product.

(h) _____

The manufacturer needs a name for his product, and of course he looks for a name that will do more than just identify or label: he wants a name that brings

suitable associations as well – the ideas that the word brings to mind will help sell the product.

(i) _____

Most advertisements contain certain words sometimes, but not always, in bold or large letters or beginning with a capital letter that are intended to be persuasive, while at the same time appearing to be informative. In describing a product, copy-writers insert words that will conjure up certain feelings, associations and attitudes. Some words – ‘golden’, for example – seem to have been so successful in selling that advertisers use them almost as if they were magic keys to increase sales.

(j) _____

Advertisers may invoke feelings that imply you are not doing the best for those you love most. For example, an advertisement may suggest that any mother who *really* loves her children uses a certain product. If she does not, she might start to think of herself as a bad mother who does not love her family. So she might go and buy that particular product, rather than go on feeling bad about it.

Exercise 2. Check and compare your answers with those of your partner.

Exercise 3. Discuss the different advertising techniques described with the rest of the class. Try to think of examples of advertisements you are familiar with in order to explain how each one works. Are there any other advertising techniques you can think of which are not in the list? If so, describe how they work and give examples of advertisements where you have noticed them being used.

Exercise 4. Do you think that some techniques are more effective than others for advertising particular products? If so, which?

Exercise 5. Do you think some techniques appeal more than others to certain age groups and types of people? If so, which?

Exercise 6. Imagine that you are copy-writers for a free-lance advertising agency and have been given the following information about a new product that is shortly to be put on the market.

Product no. 1294X Special Skin Lotion
--

Available in tubes and jars.

Suitable for all ages, sexes and skin-types especially those who lead active outdoor lives or are exposed to high levels of air pollution.

Aims to revitalize the skin and prevent wrinkles.

How to use: After washing, apply to the face morning and night.

The manufacturer has asked you to invent a brandname, write and design an advertisement for his new product. You are free to choose whatever advertising techniques you like, but the manufacturer has particularly stressed that he wants the advertisement to appeal to men as well as women.

Exercise 7. Compare your advertisement with those designed by other groups in the class and decide, in the light of the manufacturer's request, which one you think is best.

Exercise 8. Writing

Write a letter to the manufacturer explaining why you recommend he should use the advertisement your class considers best to advertise his new product.

UNIT 2. PERSONNEL AND INDUSTRIAL RELATIONS

This short item is from The International Herald Tribune, 17 January 2007. Read it through, and reply to the questions below as briefly as possible.

Ford Plans to Close British Foundry

LONDON (Reuters) – Ford Motor Co., the British subsidiary of Ford Motor Co. of the United States, said Monday that its foundry in Dagenham, Essex, would stop production in April 2008 with a loss of 2,000 jobs.

The foundry has been unprofitable since 2007 and has incurred losses of more than £75 million (\$53.6 million) in the past three years, the company said after a meeting with union officials and employers' representatives. The company said it plans a phased closing, with a program of early retirement and voluntary lay-offs.

Exercise 1.

- a) Does the Ford Motor Company plan to close its foundry in Dagenham?
- b) Where is Dagenham?
- c) How many people will be out of work when the foundry closes?
- d) Will they all lose their jobs at the same moment?
- e) For how long has the plant been unprofitable? (Remember, it's now January 2007).
- f) How much money has it lost during the last three years?

Exercise 2.

USA TODAY - International Edition - has a regular feature called Opinion, in which a subject for debate is put forward, and different views, for and against, are given by various people. On 7 September 2009 the debate was **MONITORING WORKERS BY COMPUTER**. Here is an extract from the article that expresses the opinion of the newspaper - that new technology to monitor employees can improve productivity and help workers if it is sensitively managed. The extract is printed here without any punctuation. Rewrite it, putting in the necessary punctuation marks and capital letters to make thirteen logical (and grammatical) sentences: computer monitoring is managements newest tool it allows supervisors to spot mistakes or slowdowns instantly they can tell how much work an employee did how long the job took even how many coffee breaks were taken to help workers do more work american industries are spending fifty billion dollars a year on computers they help build cars run assembly lines control manufacturing process information and even set type for newspapers but some workers dont like these silent supervisors standing over them they say being watched constantly by a machine makes them feel like machines they think that monitoring adds needless stress to jobs that are already boring and difficult no doubt monitoring is sometimes misused there are managers who rely on computer signals to tell them when an employee goes to the rest room that kind of intrusive and insensitive surveillance usually backfires but in the highly competitive world we live in some computer monitoring is inevitable and productive when properly used monitoring can control costs and increase the amount of work a person can do and its worker productivity that is the key to security and higher wages

rest room = toilet

to backfire = to have an effect opposite to the one intended

Exercise 3.

- a) These six people were all asked the question "How do you feel about computers that monitor employee productivity?" Which of these six people are in

favour of computer monitoring and which are against?

b) Two of these six people express exactly the same opinion, using slightly different words. Who are they?

c) What sort of work do you think can be monitored satisfactorily by a computer? How would you feel about a computer being used to monitor your own productivity work? Would your reaction be like that of Jose Gormaz, or that of Linda Alexander? Write a report to go under your own photograph as the seventh member of this panel.

How do you feel about computers that monitor employee productivity?

SUSAN McCARTHY, 29 Artist, Winchester, Kan

I'd rather see the more subjective criteria like intelligence or creativity measured by humans. In some cases, though, computer monitoring would be helpful and productive. I could see where computers could effectively monitor purely technical skills. But human judgment is still important and essential in the work place.

JOSE GORMAZ, 20 Waiter, St. Louis, Mo

Computers are a good way to measure productivity. I wouldn't object to being monitored by a computer on my job. If it increases worker productivity, why not? Computers can catch a lot of mess-ups that humans either ignore or overlook. In fact, I'd like to see more employers use computers to measure productivity.

MARY SEMOUR, 62 State representative Greensboro, N.C.

We just brought in a computer specialist to the state legislature. He'll be computerizing all of the legislative records. In this computer age, we can't afford to lose human concern for employees. Employees should see computers not as a threat, but as a useful tool. Management must be sensitive to this technological transition.

RUSS VAN SCYOC, 38 Production supervisor, Glen Burnie, Md.

All of the production supervisors receive a daily computerized report. It tells us how effective we are in meeting our production goals per day. We are able to monitor exactly how much employers are producing. We can then translate that measure into units per hour. Computer monitoring increases worker productivity.

GLADSTONE WELLS, 59 Minister, Chicago, Ill.

Computers can't monitor all the variables in the work place. How can a computer measure human emotions and feelings? It's impossible. In highly technical fields, I might be in favor of computer monitoring. But we don't need computers to monitor everyday employee production. We need human beings with human emotions.

LINDA ALEXANDER, 28 Service representative, San Mateo, Calif.

Computers shouldn't be used to monitor employees. I work with a computer on my job, and I'm sure I wouldn't want a computer monitoring my every move. It would be intimidating to have a machine programmed to watch me. Human supervision is the only way to go. Humans are more compassionate than computers.

Exercise 4.

What different expressions are used in the text to mean

- a.) I would prefer. . .
- b.) . . . all my movements.
- c.) I wouldn't protest about. . .
- d.) ... things which vary ...
- e.) . . . an expression of an intention to cause trouble...
- f.) . . . the amount we need to produce . . .

Fill the spaces in these sentences with words taken from this list:
at about down in out forward off backward up over round back on.

Some of the words may be used more than once, and some may not be needed at all.

- a) Computers are bringingmany changes in industry and commerce.
- b) Mr. Van Scyoc would have to talk very persuasively to bring Miss Alexander to his point of view.
- c) I was brought to believe that one should show an interest in one's work.
- d) Sale of waste products brings about £150,000 a year.
- e) The unexpectedly warm sunshine of March and April brought. the corn, so harvest will be very early this year.
- f) The figure at the top of the page in the ledger is marked "brought.", which means that it appears at the bottom of the preceding page.

- g) We have collected £75 so far, and the £25 donated by the club will bring the total.....to £100.
- h) When you go out for lunch, bring a sandwich for me, will you?
- i) The smell of roses always brings happy memories of my grandmother's garden.
- j) Jim was generously rewarded by his company for that big deal he managed to bring with Allied Condensers Inc.

Employees should see computers not as **a threat** but as **a tool** . . .

- a) Which of these words rhymes with **threat**?
treat meat sweat beat heat neat
- b) Which of these words rhymes with **tool**?
wool fool school cool pool
We can't afford to **lose** human concern.
- c) Which of these words rhymes with **lose**?
rose close nose whose those
How can a computer measure. . .
- d) Which of these words rhymes with **how**?
now grow flow vow brow show
- e) ... monitoring my every **move** ...
Which of these words rhymes with **move**?
love above stove wove prove

On 22 March 2009, most of the daily papers carried this story. Here are the versions from The Guardian and The Daily Telegraph.

The Guardian

Print union picks woman as next leader

By John Ardill, Labour Correspondent

BRENDA DEAN, who only six months ago became president of the print union Sogat '82, was yesterday elected as its next general secretary with a vote almost double that of her nearest rival.

Ms Dean, aged 40, will succeed Mr. Bill Keys, 61, who has not yet decided the date of his early retirement. She will work in tandem with him at least until her successor as president is elected.

Mr. Keys hailed the election of a woman to the top flight of union leadership as another pioneering breakthrough for Sogat, but stressed that she had won the post on sheer ability: "Sogat is very proud of her."

Ms Dean polled 25,454 votes in a 48.8 per cent return of the union's 225,000 members, about a third of whom are women. The runner-up in a field of seven was Mr. Daniel Sergeant, a national officer, who got 13,935 votes.

Before her election as president Ms Dean was for six years full-time secretary of the union's Manchester branch, its second biggest. She was also its northern region secretary for some years.

Ms Dean said: "I don't believe I'll have any difficulties as a woman being general secretary of Sogat because over the 24 years I

have been a member of the union. I have had nothing but positive response and constructive help from the members and officers.

"I have no illusions at all about taking the job. Some men may have inhibitions about negotiating with women, but that's their problem, it's not mine. I make no apologies for being a woman.

"I haven't had any hostility from members of Sogat or fellow trade unionists. I have had lots of hostility from employers but that's not because I'm a woman, it's because I'm a trade union officer.

"I've been a full-time officer for 13 years and I have never felt any inhibition or any difficulty or any kind of constraining factor in being a woman. The facts of life are that 99.9 per cent of employers' executives are men, so if there are inhibitions they must be theirs.

"Of course there are differences in approach.

If a man was negotiating with management and thumped the table and used a lot of four-letter words he would be regarded as rather a good militant. If I did that as Brenda Dean I would be regarded as a hysterical and neurotic woman.

Ms Dean said she did not like political categorisation which tended to predetermine responses, but would regard herself as left of centre on some issues and in the centre on others.

"We have got to look constructively and logically at any problem that comes along." She did not see Sogat's political stance changing under her leadership "but I don't forget that first and foremost I will

be the general secretary of a trade union and not a political party".

She did not see herself particularly as a feminist. "I see myself as an individual who has strengths and weaknesses like everyone else. I have a contribution to make and if part of that contribution is to encourage other women to come along, then great, that's what I want".

Ms Dean said she saw new technology and the increasing import penetration as the main challenges facing the union.

Her salary will be over £20,000, ranking third in the league table of trade union leaders' pay, Mr. Keys said.

Exercise 5.

Which article gives the following pieces of information? (Some of the facts are shown in only one, some in both)

- a) Ms Dean is 40 years old.
- b) The present head of SOGAT is Mr. W.Keys.
- c) Mr. Keys is 61 years old.
- d) Mr. Keys is ill.
- e) Miss Dean has been president of Sogat for six months.
- f) Voting for the post of general secretary was done by post.
- g) Ms Dean got nearly twice as many votes as Mr. Daniel Sergeant.
- h) Mr. Keys will probably retire in 1 ½ years.
- i) Ms Dean will earn more than twenty thousand pounds a year.
- j) She has been a full-time officer of Sogat for thirteen years.
- k) She will be the first woman Trade Union leader in Britain.
- l) Ms Dean's political views are further right than those of Mr. Keys.
- m) She used to work in an office as a typist.

UNIT 3. EXPORT-IMPORT

It is 16 March 2008, and you are reading *The Financial Times*.

DO NOT READ THE ARTICLE YET.
JUST LOOK AT THE HEADLINE ONLY.

Manila moves to stem imports

By Emilia Tagaza in Manila

IN A move designed to cut Philippine imports to the "barest minimum", the Government has imposed an additional 3 per cent duty, above the present 5 per cent, on all nonexempt imports. Exempt imports include those of Government agencies or those organizations exempted under special laws.

The additional duty is one of the conditions set by the International Monetary Fund (IMF), with which the Government is negotiating a \$630m standby credit.

exempt=free (of a tax, duty, responsibility, etc.)

You know

- that Manila is the capital of the Philippines and the seat of government.
- that *moves* in the headline means *does something: acts*.
- the meaning of *imports*.

Now your understanding of the headline depends upon the meaning of the word *stem*.

Look at this list of words:

carried choose reservation raise write improve industrial factory change fall reduce satisfactory increase cheap large certainly thorough bought decrease.

Exercise 1.

Read the article and decide which *two* words in the list may be used to replace *stem* in the headline to give the same meaning.

Exercise 2.

- a) Which phrase indicates that it will not be possible for the Government to make any further reduction in imports?
- b) Which phrase indicates that the IMF set several conditions in granting the loan and not just one?
- c) Which word indicates that imports of Government agencies and those organizations exempted under special laws are not the only imports exempted?
- d) Apart from the phrase *above the present 5 per cent*, which word indicates that the 3 per cent duty is an extra charge?
- e) Which phrase indicates that the negotiations for the loan are not yet finalized?

Exercise 3.

The paragraph mentions *duty* on imports. Look at these eight words, which have certain similarities in meaning but are not interchangeable. Fill each blank in the following sentences with the appropriate word.

duty tax dues rent damages
ransom tariff value

- a) The warehouse does not belong to us, and it costs us over £5,000 a year in

- b)* 'Market is a commercial term meaning the sum for which a certain thing could be sold.
- c)* Union members are requested to pay their promptly.
- d)* Most hotel rooms have a printed card on the wall or door showing the
- e)* A large was paid to free Mr. Moneybags' daughter from the kidnapers.
- f)* Half of my salary disappears in.....
- g)* There is no on the kind of goods that we import.
- h)* When Miss West fell down the stairs, she sued the company and was awarded amounting to £7,500.

Exercise 4.

Look at the article very quickly – no more than 30 seconds. **DO NOT READ IT IN DETAIL YET.** Choose the most appropriate explanation of what it is about.

- a)* Exporting Japanese cars to Europe.
- b)* Importing luxury cars from Germany.
- c)* Reducing prices of foreign cars in Tokyo.
- d)* Comparing the merits of Japanese and European cars.
- e)* The increase in Japanese car imports.

Now, read the article more carefully and check whether you have chosen correctly.

European snob appeal

TOKYO

Exporting cars to Japan has long seemed a mug's game. Last year, foreign cars accounted for only 1% of the Japanese market. Yet all is not lost. Sales of imported cars jumped by 20% to 20,238 vehicles in the first half of 2009 compared with the same period of 2008. This was the first half-yearly rise in imports since 2004.

The biggest gain was made by BMW, the West German luxury car maker, which increased its sales by 56%, to 4,178 cars. It is European chic rather than American grandeur that Japanese buyers of foreign cars seek, especially now that the dollar has pushed up prices of American imports. Sales of American cars fell 8.5% to 1,200 in January-June.

The West Germans accounted for 77% of imports. Volkswagen is the most

successful, selling 7,500 cars from January to June, mostly its standard Golf model. BMW and Mercedes Benz fight it out for the higher-priced range. Japanese luxury models stop at around Y3.9m (\$16,400), but BMW sells its cars between Y4.2m and Y9.6m to rich Japanese. Prestige matters most to such buyers, but they still watch their yen. One of BMW's main sales pitches has been low-interest car loans, at 9 ½ per year, much cheaper than the 15-18% offered by domestic and foreign rivals.

Joint ventures may have more success in penetrating the Japanese market. In February, the first Nissan Santanas rolled off the production line, an executive car selling for Y1.9m-2.5m designed by Volkswagen and using engines and axles imported from West Germany. Nissan hopes to sell 30,000 Santanas a year in Japan. Next will come the XX executive car being developed jointly by Honda and Britain's BL, and due to be launched in mid-2009.

from *The Economist*, 14 July 2009

snob appeal = the qualities that appeal to someone's snobbery (snobbery = the state of paying too much attention to social position or wealth.)

a mug's game = an action that is unlikely to be rewarding or profitable.

Sales pith = a salesman's special way of talking about the goods he is trying to sell.

Exercise 5.

Identify the **two** sentences in the article that talk specifically about *snob appeal*.

Find the expressions that are used in the article to mean:

- a) **a** they do not waste their money
- b) **b** elegance
- c) **c** a business enterprise in collaboration with another company
- d) **d** competing companies at home and abroad
- e) **e** there is still some hope
- f) **f** expected to be produced and put on sale
- g) **g** the more expensive models
- h) **h** money lent for the purpose of buying a car
- i) **i** are in competition
- j) **j** happening every six months

Exercise 6.

Sales of imported cars **jumped**.....

Sales of American cars **fell**.....

Put these verbs into two categories, **a** those meaning that prices became more expensive, and **b** meaning the opposite.

Slid climbed spiralled eased tripled rose decreased fell soared rocketed increased slumped plummeted look off zoomed dropped.

Now, try to grade the verbs in each category; start with those that simply state the fact that the price is more (or less) expensive, and work up to those that imply a sudden, great and dramatic change.

Exercise 7.

Exporting cars to Japan has long seemed a mug's game....

Find the correct *second half*, in column B, for each sentence in column A. These are all expressions that include the word *game*.

A		B	
1	Politicians are fair game;	a	They had discovered that I was trying to do something dishonest.
2	They gave the game away;	b	It was obvious that the other side could not hope to win.
3	They had the game in their hands;	c	They threw away their guns and came out with their hands up.
4	They didn't play the game;	d	and started to use the same sort of tricks to gain an advantage.
5	The two criminals realized that the game was up.	e	they should have kept their mouths shut.
6	They said "Two can play at that game"	f	their actions should be open to criticism by all.
7	Nobody knew what their game was,	g	their conduct was most ungentlemanly.
8	'So that's your little game!' they said;	h	and since nobody else volunteered I said I would do it.
9	They asked who was game to swim across the river with a rope	i	so we went down to the tennis court.
10	"There's time for a game before dinner", they said.	j	but it was evident that they were planning something.

Exercise 8.

The article is 290 words long. Reduce it to one third of its original length – not more than 100 words – giving all the important information.

Exercise 9.

Write your paragraph either from the Japanese point of view – imagine that it is a report for a Japanese newspaper – or from the German point of view.

UNIT 4. ADVERTISING IN ACTION

The two advertisements on this and the next page are both connected with insurance, but they do not have very much in common.

Exercise 1.

Look at them very quickly and then decide which of the following statements are true.

- a) a* Advert A is intended to be read by company directors.
- b) b* Advert B is intended to be read by young people who are thinking of getting married.
- c) c* Professional people would not be interested in either of these advertisements.
- d) d* Both advert A and B have coupons to be completed and returned.
- e) e* The coupon in advert B asks for a different sort of address than the one in advert A asks for.
- f) f* Advert A would be of no interest to the four people shown in the photographs in advert B.
- g) g* None of the people in the photographs in advert B is still working.
- h) h* The man in the photograph in advert A is supposed to be a company director without insurance.

A
If a customer goes down, will he take you with him?

Many thousands of the 21, 902 companies which failed last year went down simply because their customers did.

The truth is that bad debts aren't just frustrating and damaging. They can and do kill.

£5000 BAD DEBT = £100,000 LOST TURNOVER

For example, if you make 5% pre-tax profit on turnover, writing off a bad debt of only £5000 means that you have to find and service £100,000 of extra business just to repay the loss.

Obviously, it's no more sensible to leave your company unprotected against such a potentially lethal risk than to leave your premises uninsured against fire.

Insure your credit with Trade Indemnity and the risk is no longer a problem.

UP TO 90% OF YOUR MONEY BACK

With a debtor has become insolvent, this tailor-made insurance makes sure you get 75%-90% of the money he owes within 30 days of confirmation of dept.

That takes a load off your mind when you are signing a big contract or when you depend heavily on a few large customers.

The cover is equally effective for export credit and can even protect you against political risk.

YOU AVOID BAD DEBTS

Using our credit performance data bank (one of the largest in the UK) and our wide experience of credit management, we also help you avoid bad credit risks, before they turn into bad debts.

Talk to your brokers about Trade Indemnity Credit Insurance now, before one of your customers brings you down.

Or post the coupon and we'll send you our comprehensive brochure. If you want we will also arrange for one of our consultants to call and explain how credit insurance can benefit your company.

B The Joneses kept up with each other until they retired.

STATE PENSION

They were earning the same salaries. With identical houses. Comparable cars. And matching lifestyles. But the similarities stopped when they stopped work.

Mr and Mrs Jones at number 50 found themselves struggling to scrape by.

While the Jones at number 52 carried on as before, living happily ever after.

Not surprisingly, the difference between a retirement dream and a pensioner's nightmare is money.

Or more accurately, the lack of it.

If you're self-employed, or outside a company pension scheme, you might find yourself dependent on a state pension, which today is just £2980 per annum for a couple; that's just £57.30 per week.

Hardly enough to provide the comforts you've been used to, or the security you've been counting on.

The alternative is an NPI pension.

We've had 150 years' experience in pensions and life assurance, and our impressive investment performance has meant secure futures for pensioners all over the country.

Planned Savings magazine has put us in the top

NPI PENSION

four personal pension plans over the longer term, every year since they started their independent survey 11 years ago.

What's more, in the December 2004 survey our Self-Employed Retirement Plan (SERP), reviewed over the longer term, was no. 1 for the fourth time.

Ask your broker, bank manager or other advisers about NPI.

Or clip the coupon.

After all, which of the Joneses would you rather keep up with?

Exercise 2

Now read Advertisement A in more detail and then do this exercise. Fill each space with one word, so that the passage gives exactly the same information as the text of Advertisement A.

Theof many of the 21902 companies that went down last year can be to the fact that it wascustomers that.....them down.

Bad debts are frustrating and damaging, it is, but they can even be to a company. For instance, if you a pre-tax profit on turnover 5 %, a bad debt of only £5,000 that has to be off will put you in the of to find and service £100,000 of extra business just to pay this loss.

Obviously, your company must have against a potentially lethal risk this, in very much the same as it to have fire insurance.

..... you insure your credit with Trade Indemnity you will not have to about this problem longer. This kind of insurance you 75%-90% of the money you are, and will be made no more than thirty days the debt has been.....

This you have worries when the of a big contract is involved, or when you are on a few big customers.

This kind of insurance you for export credit, and can even be a against risk of a political.....

By making of our credit performance data bank (which is than most in the UK), and by drawing on the of our experience of credit management, we also help you to keep of bad credit risks even before they bad debts.

..... your brokers about Trade Indemnity Credit Insurance now, before you are down by one of your customers.

Or in the coupon and post it to us, and we will you have our comprehensive brochure. If you want, we will also one of our consultants to call you to explain the that credit insurance can to your company.

Exercise 3

If a **customer** goes down...

customer custom customs

Fill the spaces in these sentences with the appropriate word.

- a) It is not our to pay for postage and packaging.
- b) The goods are in thewarehouse .
- c) duty of this commodity has been abolished.
- d) We have in many different parts of the world.
- e) Aunt Mildred's little general shop lost a great deal of when the new hyper-market opened.

- f) Mr Becket is an awkward and you have to be very careful how you deal with him.
- g) The formalities are fairly straightforward.
- h) Thank you for your over the past year.
- i) It has become our to spend Christmas with our relatives in the mountains.
- j) Regular are usually given 10% discount.

Exercise 4

Now, study the second advertisement. The title makes use of the expression KEEP-ING UP WITH THE JONESES, which means maintaining the same standard of living as your neighbours, especially as far 'status symbols' are concerned – cars, washing, colour television sets, video recorders, etc. In this case, there are two families called Jones living next door to each other, which is not so surprising as it is one of the commonest names in the English-speaking world.

You may not understand all the text, but you will be able to guess the meaning. Choose the best answers to these questions.

A What have both the Mr. Joneses done?

- 1 Moved to a new house.
- 2 Taken out an insurance policy.
- 3 Stopped work because of their age.
- 4 Lost a great deal of money.

B Why do the Joneses at no 50 look so sad?

- 1 They are not happily married.
- 2 They will have to sell their house.
- 3 They are both seriously ill.
- 4 They have only a small pension.

C Why do the other Joneses look so happy?

- 1 They have more money than they did before retirement.
- 2 They have taken out an insurance policy with National Provident.
- 3 They have won a very big prize in a lottery.
- 4 They are happily married and always agree.

D What service does NPI offer?

- 1 A pension equal to the last salary earned.
- 2 An extra income, over and above the state pension.
- 3 The possibility to work after retirement.
- 4 The service is not clear from the advertisement.

E What sort of person would be interested in this advertisement?

- 1 A man of 66 who has just retired from a good job.
- 2 A middle-aged man working for himself.
- 3 A young person working for a big international corporation.
- 4 All married people.

Exercise 5. Find the words or expressions in the text that are used to mean –

- a the way in which one lives
- b cut out (the coupon)
- c not really sufficient
- d a bad, fearful or terrible experience thought to be possible in the future
- e to get just enough food and money to live
- f absence or need (of money)

Here is the beginning of an article that appeared in *The Daily Telegraph* on 28 August 2009.

COMPUTERS By Michael Becket

Insuring the
Corporate memory

COMPUTERS can cause companies to crash. They are often blamed for all sorts of problems when the real cause is management incompetence, but if the computer fails and stops working the result can be disastrous.

Generally most of the corporate information is in the electronics, there are no longer accounts books or records of orders, production scheduling is on the machine and so are wage calculations – and then it breaks down. Or a burglar steals it. Or it catches fire in the middle of the night.

Maintenance contracts help, but clearly they are not the whole answer. Insurance is the only way to cover the potential catastrophic results if the computer, or its information, is suddenly absent.

Exercise 1. The following five paragraphs from Michael Becket's article (a to e) are printed in the wrong order. Rearrange them so that they follow each other naturally and link up with the first three given above. (A very quick reading of the material is enough for this. You do not need to understand every word.)

a In some cases the third portion is swept in with the second, because this deals with the reinstatement of records. If a company is silly enough not to keep back-up copies of all data and the disc drive "crashes," or if there has been a fire in the building and through that or the zeal of the fire brigade all accounts are lost, somebody is going to work a long time feeding all that

back into a new machine.

b Finally there is the electrical and mechanical breakdown portion. Some companies insist customers have a maintenance contract and will therefore only cover breakdowns through negligence (a misguided employee taking a screwdriver to the delicate machine), and some will provide what is in effect an alternative to maintenance, though at a substantial cost.

c Basically, there are four sections to such policies. First is what the insurance world misleadingly calls "all risks." This normally includes accidental damage such as spilling a cup of tea into the keyboard, jamming the printer with a cigarette end, or smashing the screen.

d The second portion is for increased costs of working without your normal computer. So if you have to hire another computer or use a bureau (assuming records are still to hand), or hire extra workers, or make existing people work overtime, the insurance company pays. In some cases it will also make good any loss of profits or revenue - say, when the production programme is wholly disrupted.

e It also covers theft, fire and malicious damage (such as a sacked employee wiping the memory or throwing the machine at the personnel manager). Some policies have water damage cover as well, and a few provide insurance in transit. All this should include call-out costs, parts and labour to the full reinstatement value of the machine - no deduction for wear and tear if replacing it.

Exercise 2. Without reading through the passage again, choose the best ending to this sentence.

The passage seems to be about

- a** the advantages of having several computers instead of just one.
- b** computers in the insurance business.
- c** insuring computers and the information that they contain.
- d** how to avoid unnecessary expense with your computers.
- e** the best way to avoid damage to your computer.
- f** the dangers of using computers.

Exercise 3. Now read the passage more carefully. It tells us that there are four sections in this kind of insurance policy, and it numbers them for us. Answer these questions with the words first, second, third or fourth.

Which sections of the policy cover the following situations?

- a)** The computer stops working because it is not a new machine and one of the drives is worn out; several new components have to be bought and fitted to replace those which are no more use.
- b)** One of the operators comes back rather drunk after lunch and is reprimanded by the supervisor. To pay him back for his hard words, the operator erases a valuable part of the computer programme.
- c)** A member of the cleaning staff balances a bucket full of hot water containing detergent on the edge of the desk. She accidentally knocks it over, and all the

water goes into the keyboard mechanism.

- d) The computer is out of order and you cannot use it for three weeks. During this time you have to make use of the computers at a data processing agency and this is quite expensive.
- e) There is a fire, caused by a short-circuit in the building's heating system, and the computer is badly damaged.
- f) After an accident which has wiped all the information, you have to transfer staff from other important work to give the computer the information which has been lost.
- g) There is a break-in, and among the things that are stolen are several very important discs or spools.

Exercise 4

- a) First is what the insurance world misleadingly calls «all risks». Why does Michael Becket use the word **misleading** here?
- b) This normally includes accidental damage such as spilling a cup of tea into the keyboard.
If the word *spilling* is replaced by *pouring*, the damage would be categorized differently. Why?
- c) Do all the policies cover the removal of computer systems from one location to another?
- d) Which sentence in the text says that all companies should have duplicate copies of all the information that is fed into' the computer?
- e) Which phrase says that computers may be damaged by water when a fire is being put out?

Exercise 5. What words or expressions are used in the article to mean

- a) the inefficiency of the people in charge of the firm
- b) a man who breaks into a building with the intention of stealing something
- c) damage that is not accidental but caused intentionally by someone who wants to create difficulties for the company
- d) someone who has been dismissed from his place of work
- e) removing all the information from a computer disk or spool
- f) thrown into complete disorder

Exercise 6

Find the correct definitions in column B for the hand expressions in column A.
to hand = available; within reach

A		B	
a	an old hand	1	to participate
b	by hand	2	don't touch
c	second hand	3	quickly & successfully
d	a free hand	4	to pass into someone else's possession
e	hand over fist	5	not by mechanical means
f	hands off	6	permission to act as you please
g	to change hands	7	not new
h	to have one's hands full	8	ready to be used
i	to have a hand in	9	to be very busy
j	in hand	10	someone with a lot of experience

Exercise 7.

Summarise, in not more than 200 words the advantages of taking out an insurance policy for the computer system. (The original article is about 430 words).

the

30-SECOND SPOT

quiz

How to Analyze Ads:

Use this 1-2-3-4-5 sequence of questions, to focus on the "skeleton" underneath the "surface variations" of radio and TV commercials, newspaper and magazine ads.

Recognize that a 30-second-spot TV ad is a synthesis, the end product of a complex process in which scores of people (writers, researchers, psychologists, artists, actors, camera crews, etc.) may have spent months putting together the details. TV commercials are often the best compositions of our age, skillful combinations of purposeful words and images. Be patient and systematic: analysis takes time to sort out all of the things going on at once. **We perceive** these things simultaneously, but we must discuss **them sequentially**. Use this 1-2-3-4-5 pattern of "the pitch" as a sequence to start your analysis.

Recognize "surface variations": in 30 seconds, a TV spot may have 40 quick-cut scenes of "good times" (happy people, sports, fun, drinking cola); or 1 slow "tracking" scene of an old-fashioned sleighride through the woods, ending at "home" with "Season's Greetings" from an aerospace corporation; or a three-scene drama: a problem suffered by some "friend," a prod-

uct/solution recommended by a trusted "authority," and a final grateful smile from the relieved sufferer. But, the structure underneath is basically the same.

Recognize our own involvement in a mutual transaction. Persuaders are benefit-promisers, but we are benefit-seekers. Most ads relate to simple "trade-offs" of mutual benefits: consumers get a pleasure, producers get a profit. However, investigate issues relating to any non-consumer ad; these are paid presentations of only one side of an issue, often involving more than a simple purchase transaction.

Understand that advertising is basically persuasion, not information or education, and nor coercion! Many important moral and ethical issues (concerning intent and consequences, priorities, individual and social effects, truth and deception, legal and regulatory problems) are related. The more we know about the basic techniques of persuasion, the better able we are not only to cope with the multiple persuaders in our society, but also to consider these ethical issues.

What **ATTENTION-GETTING** techniques are used?

Anything unusual? Unexpected? Noticeable? Interesting? Related to:

- **senses:** motions, colours, lights, sounds, music, visuals, (e.g., computer graphics, slow-motion).
- **emotions:** any associations: scenery, exciting action, fun, family, pets.
- **thought:** news, lists, displays, claims, advice, questions, stories, demonstrations, contests.

(Popular **TV programs** function as attention – getters to “deliver the audience” to advertisers.)

What **CONFIDENCE – BUILDING** techniques are used?

- Do you *recognize, know* (from earlier repetition) the brand name? company? symbol? package?
- Do you *already know, like, and trust* the “presenters”: the endorsers, actors, models?
- Are these “presenters” **AUTHORITY FIGURES** (expert, wise, protective, caring)? Or, are they **FRIEND FIGURES** (someone you like, like to be, ‘on your side’: incl. “cute” cartoons)?
- What key words are used? (Trust, sincere, etc.) Nonverbals? (smiles, voice tones, sincere look)
- In mail ads are computer-written “*personalized*” touches used? On telephone: tapes?scripts?

What **DESIRE-STIMULATING** techniques are used?

Consider (a) «**target audience**» as (b) benefit-seeking; and persuaders' bene-

fit-promising strategies as focused on (c) product claims, or, (d) "added values" associated with product.

- Who is the "target audience"? Are *you*? (If *not*, as part of an unintended audience, are you *uninterested* or *hostile* toward the ad?)
- What's the primary motive of that audience's benefit-seeking? Most ads are simple acquisition. Often, such motives co-exist, but *one may* be dominant. Ads which intensify a problem (that is a "bad" already hated or feared; *the opposite, or the absence of*, "goods"), and then offer the product as a solution, are here called "scare-and-sell" ads.

• To keep a "good" (<i>protection</i>)	• To get rid of a "bad" (<i>relief</i>)
• To get a "good" (<i>acquisition</i>)	• To avoid a "bad" (<i>prevention</i>)

- What kinds of product claims are emphasized? (*use these 12 categories*). What key words and images are used? Are there any *measurable* claims? Or are they *subjective opinions, generalized* praise words ("puffery")?

SUPERIORITY ("best") STABILITY ("classic")
 QUANTITY ("most") RELIABILITY ("solid")
 EFFICIENCY ("works") SIMPLICITY ("easy")
 BEAUTY ("lovely") UTILITY ("practical")
 SCARCITY ("rare") RAPIDITY ("fast")
 NOVELTY ("new") SAFETY ("safe")

- Are any "added values" implied or suggested? Are there words or images which associate the product with some "good" already loved or desired by the intended audience? Are they associated with such common human needs/wants/desires as in these 24 categories:

"Growth" needs:

ESTEEM ("respected")
 PLAY ("fun")
 GENEROSITY ("gift")
 CREATIVITY ("creative")
 CURIOSITY ("discover")
 COMPLETION ("success")

"Basic" needs:

FOOD ("tasty")
 ACTIVITY ("exciting")
 SURROUNDINGS ("comfort")
 SEX ("alluring")
 HEALTH ("healthy")
 SECURITY ("protect")
 ECONOMY ("save")

Love & belonging needs:

INTIMACY ("lover")
 FAMILY ("Mom" "kids")
 GROUPS ("team")

"Territory" needs:

NEIGHBORHOOD ("hometown")
 NATION ("country")
 NATURE ("earth")

"Certitude" needs:

RELIGION ("right")

SCIENCE ("research")

BEST PEOPLE ("elite")

MOST PEOPLE ("popular")

AVERAGE PEOPLE ("typical")

Are there **URGENCY – STRESSING** techniques used?

- If an urgency appeals what words are used? (e.g. Hurry, Rush, Deadline, Sale Ends, Offer Expires, Now.)
- If no urgency is expressed, is this «soft sell» part of a repetitive, long-term ad campaign for standard item?

What RESPONSE-SEEKING techniques are used?

(Persuaders always seek some kind of response!)

- Are there specific triggering words used? (Buy, Get, Do, Call, Act, Join, Smoke, Drink, Taste, etc.)
- Is there a specific response sought? (Most ads initiate to buy something)
- If not, is it conditioning (“public relations” or “image building”) to make us “feel good” about the company, to get favorable public opinion on *its* side (against any government regulations, taxes)?

Observe. **Understand. Judge.** (In that sequence!) Observe closely what is explicitly said and shown; consider carefully what may be implied, suggested either by verbal or nonverbal means.

Anticipate incoming information. Have some way to sort, some place to store. If you know common patterns, you can pick up cues from bits and fragments, recognize the situation, know the probable options, infer the rest, and even note the omissions. Some persuaders use these techniques (and some observers analyze them) consciously and systematically; others, intuitively and haphazardly.

Categorize, but don't "pigeonhole." Things may be in many categories at the same time. "Clusters" and "mixes" are common. Observers often disagree.

Seek "dominant impressions," but relate them to the whole. You can't analyze everything. Focus on what seems (to you) the most noticeable, interesting, or significant elements (e.g. an intense "urgency" appeal, a very strong "authority", figure). By relating these to the whole context of "the pitch," your analysis can be systematic, yet flexible, appropriate to the situation.

Translate "indirect" messages. Much communication is *indirect*, realized through a metaphoric language, allusions, rhetorical questions, irony, non-verbals (gestures, facial expressions, tone of voice), etc. Millions of specific concrete ways of communicating something can be grouped in the general abstract categories listed here as "product claims" (3c) and "common needs" (3d). Visuals are implied.

Train yourself by first analyzing those ads which explicitly use the full sequence of "the pitch," including "urgency-stressing" and a specific "response-seeking." Always check for this full sequence; when it does not appear, consider what may have been omitted: assumed or implied. "Soft sell" ads and corporate "image-building" ads are harder to analyze: less is said, more is implied.

Practice. Analysis is a skill which can be learned, but needs to be practiced. Take notes. Use print ads. Videotape if possible. Replay in slow motion. No one can "see" or "understand" everything during the actual 30 seconds while watching a TV spot. At best, we pick up a few impressions. Use the pattern of "the pitch" to organize your analysis and aid your memory. Such organization helps to avoid randomness and simple subjectivity.

Are ads worth all this attention? Ads may not be, but your mind is. If we can better learn how to analyze things, to recognize patterns, to sort out incoming information, to see the parts, the processes, the structure, the relationships among things so common in our everyday environment, then it's worth the effort.

UNIT 5. IT PAYS TO ADVERTISE

Exercise 1. UNDERSTANDING A PRINTED TEXT (1)

Read the text and note down the answers to the following:

1. Does the author agree with the slogan in the title?
2. Into what larger concepts does advertising fit?
3. What is a branded product?

I 'It pays to advertise'. This nice simple-minded slogan used to appear on poster sites up and down the country some twenty years ago - with no further explanation. To the poster proprietors who put it on their (empty) sites, it seemed self-evident. Perhaps it does to you.

If you are running a business, it may not be so simple. There are plenty of businesses, in all sectors of the economy, which advertise either very little or, indeed,

not at all. You do not see many advertisements for Marks & Spencer, and even fewer for British Home Stores - though, of course, their shop windows are their own ads. The fact is that advertisements are just one of the many tools available to help a firm to sell what it has to offer, and it may well be that advertising is, quite simply, not appropriate for the firm's particular circumstances.

How Business Works

At its simplest, a business buys resources, which can be raw materials, parts and components, the brains and muscles of its employees, or even money, turns them into some form of product or service, and sells them to its customers at a profit. To do this, it requires working capital, employees, premises, potential customers, and a means of reaching them. This applies pretty well to any kind of business. The process of identifying, reaching, and selling to the potential customers is, nowadays, called marketing, which is rather more than just the jumped-up name for 'selling' that it is sometimes thought to be.

What is Marketing?

People involved in marketing, who for some reason are often rather defensive about it, spend a great deal of time trying to invent better definitions of their task in order to make clear to everyone else what it is all about. This is not a very helpful process as the definitions tend to be ingenious but obscure. Very simply, the idea of marketing is that a business ought, as far as possible, to start with its customers; and it should gear all its efforts to giving the customers what they want—at a profit, of course. This means, for example, that customers should somehow have some say in the design of the product; and that it should be made as easy as possible for the customer to buy.

The process

The process of marketing, then, includes a whole range of activities relating to selling the product—actual selling, decisions on pricing and distribution policy, advertising and other forms of promotion—and, indeed, at least part of the specification of the product. It involves, therefore, the market research and intelligence on which the necessary understanding of the customer must be based. This collection of activities is usually called, in marketing jargon, the marketing mix.

2 The marketing mix

Two Points of View

It is useful to look at the marketing mix from two points of view. The first is a simple, practical analysis of how it fits into the operations of the business. Bearing

in mind that marketing should have contributed, through market research, to the specification of the product, it is easiest to see it as filling the time and space between when the product comes off the end of the production line and when the ultimate customer buys it. (In fact if you are making a complex piece of machinery, or selling insurance, it goes beyond this, into after-sales service.)

Keeping down the Cost

The businessman's task is to plan how best to fill the gap, in terms of making the best use of available resources to achieve sufficient sales, profitably, to satisfied customers.

If you look at the costs of a hypothetical manufacturing company, you will find a picture which looks, basically, rather like the one shown in Fig. 2

Fig. 1. P/L statement for hypothetical manufacturing company (£'000s)

1. Value of sales	100
Less	
2. Cost of materials	35
3. Labour and related costs	10
4. Overheads	10
= 5. Gross margin	45
Less	
6. Selling and distribution costs	30
= 7. Net profit (pre-tax)	15

To all intents and purposes, item 6 is the **marketing** mix in this simple trading statement. For the manager with a sales target to meet and a planned gross margin of 45 per cent, the problem is how to use as little as possible of that margin to achieve his sales target, and to have a continuing, viable business and, hence, to make a satisfactory profit.

Keeping the Customer Happy

The second way to look at the marketing mix is to consider what the mix is actually doing to the relationship between the product and its purchasers. In a way, the key to this lies in what it was just said. Most businesses are looking for continuing success. They achieve this basically, through satisfied customers—and they have to do it in the face of their competitors.

3. Through the elements of the marketing mix, the business sets out to build and maintain its competitive position. In most cases, the most effective way to protect this position is through successfully *branding* its products. The distinction

between a product and a brand is important, as it explains much of what marketing tries to do, and much of the use of advertisements.

Fig.2 How a Brand Fits Together

*Name/Selling/Sales/Literature/price/Pack design/Distribution policy/Advertising/
Point sale display material/Public relations/Promotion ==> BRAND ==> CONSUMER
PREJUDICE*

A product, in these terms, is quite simply something which is offered to potential buyers and which, while it may be very good of its kind, is not systematically presented in a way which differentiates it from its competitors. A brand, on the other hand, is a product whose producer has set out deliberately and consistently to use every element in its presentation to make it uniquely desirable to its potential buyers. If this is done successfully, it makes the brand extremely difficult to compete with—not necessarily because it is physically that much better than its competitors, but because it has acquired an aura (a 'brand image') which makes it appear that much better.

4. A brand is created by all the elements in the marketing mix working together, consistently, to create a clear prejudice in its favour among its customers. In other words, a brand has a place in people's minds, as a brand, whereas a mere product is simply a way of fulfilling a physical need. In a competitive economy, there is a clear theoretical advantage in being a brand.

Diagrammatically, being a brand is quite a simple concept. All the parts of the marketing mix, as a consistent group, contribute their share to the product, so as to help build up a favourable prejudice among its actual and potential customers. Of course, it may not be necessary to use all the elements to build up a particular brand. The possible combinations are **numerous**.

The role of advertising

How does advertising fit in with all this? Obviously, it can be one of the elements which contribute to the character and reputation of the brand. It can, clearly, be a very important part of getting to the customer, in order to create that favourable prejudice. Ultimately though, its role is, very simply, to sell: if it fails to do that, in one way or another, there is little point in it.

Exercise 2. CHECK YOUR UNDERSTANDING

Read through the text carefully, looking up anything you do not understand. Then answer following questions.

1. Does the fact that it pays to advertise seem obvious to you? Explain your answer.

2. Do all businesses advertise?
3. Are there other ways, besides advertising, in which companies may persuade people to buy their products?
4. What sorts of resources does every business buy?
5. What does it do with them?
6. What does 'marketing' mean?
7. Is it the same thing as 'selling'?
8. What should marketing start with?
9. What should it give to the customers?
10. What does it expect in return?
11. What activities does marketing involve, apart from actual selling?
12. What is the understanding of the customer based on?
13. What is the first suggested way of looking at marketing mix?
14. What would be the effect on profit if the cost of advertising were increased?
15. What is the manager's chief problem in ensuring that his business makes a viable profit?
16. What is the second suggested view of marketing mix?
17. What must a business have if it is to be continuously successful?
18. What is the difference between a non-branded product and a branded one?
19. What is the role of advertising?

Exercise 3. INCREASE YOUR VOCABULARY

Explain in your own words the meaning of the following, as used in the text:

- paragraph 1: jumped-up
defensive
ingenious but obscure
- paragraph 2: after-sales service
hypothetical
- Figure 1:
gross margin
net profit
pre-tax
- Figure 1. caption: P/L statement
- Paragraph 4:
favourable
prejudice
ultimately
- Fig. 2. Consumer Prejudice

What do you think would be the meaning of 'post-tax'?

Exercise 4. CHECK YOUR GRAMMAR

Remember:

Both... and

Not only, but (also)...

e.g., (a) Advertising is expensive. Advertising is difficult to do well.

(b) Advertising is both expensive and difficult to do well.

(c) Advertising is not only expensive but also difficult to do well.

Now supply the other two forms for each of the following:

1. (a) It must improve sales. It must increase profit.

2. (b) Advertising must both please the customer and bring in more income.

3. (c) It must not only be visually attractive but also outshine the competition.

4. (a) A branded product will appear to be better. A branded product should actually be better.

5. (a) An advert must please people who do not yet use your brand. An advert must please people who already use your brand.

Is there any difference in meaning or emphasis between the different forms?

Exercise 5. UNDERSTANDING A PRINTED TEXT (2)

The economic task

The basic task of advertising, nine times out of ten, is to sell, or to assist sales.

It follows, therefore, that if you can sell all you want to without advertising, you can do without it—unless you can see a way whereby advertising can save you some other cost. Usually, a new advertising campaign for a previously unadvertised brand is a straightforward addition to costs. This means, very crudely, that such a campaign has to be capable of generating additional sales and, more precisely, marginal profits sufficient to cover the added costs. What is more, it ought to be capable of doing this more cheaply than any alternative method—such as adding another half dozen men to the sales force, or opening up a wholly new distribution channel.

The one very fundamental reason for advertising, then, is to sell more profitably. This is, however, a very typical example of advertising language since it begs the question: ‘More than what?’. Once you ask that question, the whole situation rapidly becomes rather complicated instead of the apparently simple picture we have been looking at. If a brand has been on the market for some time, its sales may have started to decline: by means of advertising, the decline may be slowed, in this case, sales will be, say, 5 per cent down rather than the 10 per cent down which they would have been without the advertising. In other words, with advertising you will actually be selling less, but that ‘less’ is still more than the result which (you assume) would have been achieved without advertising—and this may be a major benefit to your overall profitability.

The roles of advertising

Clearly, in order to achieve extra sales, advertising has to be working in some way in the marketplace. The market for a particular product consists of a number of different groups of people, who can be categorized in terms of their relationship to the product:

Non-users of the product category

1. Those who do not and never will use these products.
2. Non-users who are possible future users but are unaware of our product.
3. Non-users who are possible future users and are aware of our product.

Users of the product category

1. Users of competitive brands, who are unaware of our product.
2. Users of competitive brands, who are aware of our product
 - (a) Who have never tried our product.
 - (b) Who have tried our product.
3. Users of both competitive brands and of our product.
4. Users of our product only.
 - (a) Who have never used another brand.
 - (b) Who have used another brand.

CHAPTER II COMPANY FORMATION

UNIT 1. NEW COMPANIES

1. Is there more than one type of company?

There are four main types of company:

- Private company limited by shares - members' liability is limited to the amount unpaid on shares they hold. This includes those community interest companies (CICs) which are private companies limited by shares.
- Private company limited by guarantee - members' liability is limited to the amount they have agreed to contribute to the company's assets if it is wound up. This includes all RTM (Right to Manage) companies - commonhold associations and those community interest companies which are companies limited by guarantee.
- Private unlimited company - there is no limit to the members' liability.
- Public limited company (PLC) - the company's shares may be offered for sale to the general public and members' liability is limited to the amount unpaid on shares held by them. This also includes community interest public limited companies.

2. Who can form a company?

The Companies Act generally allows one or more persons to form a company for any lawful purpose by subscribing to its memorandum of association. However, a public company or an unlimited company must have at least two subscribers. Information about companies formed by a single person can be found in [chapter 3](#). (In law, 'person' includes individuals and companies.)

3. How do I form a company?

Ready-made companies are available from company formation agents whose names and addresses appear in the Yellow Pages. If you incorporate a company yourself, you will need to send the following documents, together with the registration fee (see [question 13](#) below) to the Registrar of Companies:

- A memorandum of association
- Articles of association (except where Table A is adopted without modification - see question 5)
- Form 10
- Form 12

Each of these documents is explained below.

4. What about community interest companies (CICs)?

When forming a CIC the following documents are required in addition to those listed in 3 above:

- a community interest statement
- an excluded company declaration

These documents must be in a form approved by the CICs Regulator. An approved format and further guidance can be found on the CICs website at www.cicregulator.gov.uk.

5. What is a memorandum of association?

This document sets out:

- the company's name,
- where the registered office of the company is situated (in England, Wales or Scotland); and
- what it will do (its objects). The object of a company may simply be to carry on business as a general commercial company.

Other clauses to be included in the memorandum depend on the type of company being incorporated. The form of memorandum for each type of company is set out in a set of tables called The Companies (Tables A to F) Regulations, 1985. (In this booklet we have called them 'the Tables'.) These tables do not apply to RTM com-

panies or commonhold associations. The memorandum and articles for these types of companies are set out in:

- For RTM companies: 'The RTM Companies (Memorandum and Articles of Association (England) Regulations 2003' or 'The RTM Companies (Memorandum and Articles of Association (Wales) Regulations 2004'
- For commonhold associations: 'The Commonhold Regulations 2004'.

The company's memorandum delivered to the Registrar must be signed by each subscriber in front of a witness who must attest the signature.

6. What are articles of association?

This document sets out the rules for the running of the company's internal affairs. Model articles are provided in the Tables mentioned above.

A company may adopt the whole of Table A as its articles or any part of it.

A company limited by shares which has adopted the whole of Table A without modification does not need to deliver a copy for registration. However, you must attach a letter to your application saying this. CICs cannot take advantage of Table A to avoid registering articles.

NOTE: If you adopt Table A without modification then you will need to appoint at least two directors. However, a private company can have just one director, if its articles allow (see question 9). So if your company will have only one director, you need to adopt a modified version of Table A. If Table A is adopted with modifications, you must deliver the articles for registration.

All companies that are limited by guarantee or unlimited, and all community interest companies (whether limited by shares or by guarantee) must register articles. These should be in accordance with, or as near to that form as circumstances permit, the following tables:

Company limited by guarantee without share capital*	Table C
Unlimited company with share capital	Table E

* Table C does not apply to RTM Companies or Commonhold Associations but articles for these companies are prescribed in the regulations mentioned at question 4.

In addition, the articles for community interest companies must comply with the requirements of the Community Interest Company Regulations 2005. Sample CIC memoranda and articles can be found on the CICs website at www.cicregulator.gov.uk.

The company's articles delivered to the Registrar must be signed by each subscriber in front of a witness who must attest the signature.

7. What is Form 10?

Form 10 gives details of the first director(s), secretary and the intended address of the registered office. As well as their names and addresses, the company's directors must give their date of birth, occupation and details of other directorships they have held within the last five years. Each officer appointed and each subscriber (or their agent) must sign and date the form.

Officers acting as both director and secretary

The same person can be both a director and company secretary, provided there is another director. A sole director cannot also be the company secretary.

8. What is a registered office?

It is the address of a company to which Companies House letters and reminders will be sent. The registered office can be anywhere in England and Wales (or Scotland if your company is registered there). The registered office must always be an effective address for delivering documents to the company, and to avoid delays it is important that all correspondence sent to this address is dealt with promptly. If a company changes its registered office address after incorporation, the new address must be notified to Companies House on Form 287.

9. What is the minimum number of officers a company requires?

Every company must have formally appointed company officers at all times. A private company must have at least:

- one director - but the company's articles of association may require more than one (See Question 6);
- one secretary - formal qualifications are not required. A company's sole director cannot also be the company secretary.
- A public company must have at least:
- two directors;
- one secretary - formally qualified, see chapter 2.

All company officers have wide responsibilities in law, but the key requirements are contained in our booklet, 'Directors and Secretaries Guide'.

After incorporation, you must tell Companies House about:

- the appointment of a new officer - use Form 288a;
- an officer's resignation from the company - use Form 288b;
- changes in an officer's name or address or any of the other details originally registered on Form 10 - use Form 288c.

10. Can anyone be a company director?

In general terms, yes, but there are some rules. You can't be a company director if:

- you are an undischarged bankrupt or disqualified by a court from holding a directorship, unless given leave to act in respect of a particular company or companies;
- in the case of PLCs or their subsidiaries, you are over 70 years of age or reach 70 years of age while in office, unless you are appointed or re-appointed by resolution of the company in general meeting of which special notice has been given.

There is no minimum age limit in the Companies Act for a director to be appointed in England and Wales. However, he or she must be able to consent to their own appointment. You should seek legal advice if you intend to have a very young person as a director of your company.

In Scotland the Registrar will not register for any company the appointment of a director under the age of 16 years old. A child below that age does not have the legal capacity to accept a directorship - Age of Legal Capacity (Scotland) Act 1991. If you need more information, contact Companies House, [Edinburgh](#).

Some people not of British nationality are restricted as to what work they may do while in this country. If you need more information about whether such a person can become a director of a UK-registered company, contact:

Home Office Immigration and Nationality Department
Lunar House
Wellesley Road
Croydon
CR9 2BY (Tel: 0870 606 7766)

11. What is a Form 12?

Form 12 is a statutory declaration of compliance with all the legal requirements relating to the incorporation of a company. It must be signed by a solicitor who is forming the company, or by one of the people named as a director or company secretary on Form 10. It must be signed in the presence of a commissioner for oaths, a notary public, a justice of the peace or a solicitor.

- Signing the declaration on Form 12
- Form 12 must be signed and dated after all the other documents are signed and dated. This is because Form 12 confirms that all other registration requirements have been completed.
- The form must clearly show if a person has signed on behalf of a corporate director. If it appears that the person who signed is not a

director, this will cause delay.

12. What happens to the documents sent to the Registrar?

All company formation documents are subject to certain checks including checks of prospective officers against the Disqualified Directors' Register.

The Registrar then keeps the documents and makes them available for public inspection.

13. Can I choose any name I want for my company?

No. There are some restrictions on your choice of company name. Our booklet, 'Company Names', explains how those restrictions may affect your choice of name.

Company name checks

It is important to check that the name you want is acceptable to Companies House before you complete the company formation documents.

Briefly, the restrictions are that:

- you cannot register the same name as another company;
- the use of certain words is restricted; and
- names likely to cause offence are not allowed.

It is also important to check whether your chosen name is similar to any other names already on the register. If your chosen name is too like another name, an objection could be made within the 12 months following the incorporation of your company and you could be directed by the Secretary of State to change the company's name.

Names cannot be reserved and formation applications are not processed strictly in order of time or date of receipt. In the unlikely event that we receive more than one application to register the same name, only one will be registered. The second will be refused because the name would then already be on the names index. There can be no guarantee which application will be processed first. In general, company incorporation applications delivered electronically are processed more quickly than other applications delivered on paper.

To be able to use the 'Software Filing' service for company incorporations you must have suitable software.

Initially it will not be possible to register community interest companies electronically but this service should be available in the future.

If you would like to know more about the electronic service click here.

14. How much does Companies House charge to incorporate a company?

Our standard registration fee is £20, but our premium service (cost: £50) provides incorporation on the same day as we receive the formation documents, if they are hand delivered before 3pm. Posted applications cannot be given the same guarantee although, in most cases, we will register the application on the same day of receipt.

There is an additional fee of £15 to be paid to the Regulator when forming a community interest company. Companies House will collect the fee on behalf of the Regulator. Please check on the CICs website at www.cicregulator.gov.uk for further information regarding fees. Please note that the same day incorporation service will not be available for CICs in the foreseeable future.

For users of our Software Filing service, the standard fee is £15 and the premium same-day service is £30. To be able to incorporate electronically, you must either purchase suitable software or develop your own software. Visit our website www.companieshouse.gov.uk for more information.

Same-day applications

Posted, couriered and other sealed same-day applications must be clearly marked on the envelope 'for the attention of New Companies Section' and 'Same-day Incorporation'.

Cheques should be made payable to Companies House.

15. Where can I obtain forms to incorporate a company?

Forms 10 and 12 are available free of charge from Companies House but we cannot provide a memorandum or articles of association. Specimens of these documents can be obtained from legal stationers, accountants, solicitors or company formation agents who can also supply Forms 10 and 12. Names and addresses are available in business phone books.

Community interest statements and excluded company declarations (only relevant for community interest companies) can be obtained from the CICs website at www.cicregulator.gov.uk.

16. Can I deal direct with Companies House to form my company?

Yes. However, while our staff will be happy to give you guidance on general matters (such as filling in forms or advice on company names), they cannot advise you about the content of the memorandum and articles, or if an incorporated company is the best vehicle for your business.

If you are unsure about any aspect of forming a company, please seek professional advice from your solicitor, accountant or company formation agent.

UNIT 2. PUBLIC LIMITED COMPANIES

1. What is a public limited company?

A public limited company is a company which is registered as such and complies with the following:

- It must state that it is a public limited company both in its memorandum and in its name. The memorandum must contain a clause stating that it is a public limited company and the name must end with 'Public Limited Company' or 'PLC' (or if it is a Welsh company, the Welsh equivalents 'Cwmni Cyfyngedig Cyhoeddus' or 'CCC').
- For public limited companies that are also community interest companies (CICs) the name must end with 'community interest public limited company' or 'community interest p.l.c.' (or if it is a Welsh company, the Welsh equivalents 'cwmni buddiant cymunedol cyhoeddus cyfyngedig' or 'cwmni buddiant cymunedol c.c.c'.)
- The memorandum must be in the form specified in Table F of the Tables (see [question 4, chapter 1](#)) or as near to that form as circumstances permit. (A sample memorandum for community interest companies can be found on the CICs website at www.cicregulator.gov.uk).
- It must have an authorised share capital of at least £50,000.
- Before it can start business, it must have allotted shares to the value of at least £50,000. A quarter of them, £12,500, must be paid up. Each allotted share must be paid up to at least one quarter of its nominal value together with the whole of any premium.

For example, if a share with a nominal value of £1 is sold for £6, then it is said to have a premium of £5. This premium must be paid to the company, together with a minimum of a quarter of the nominal value of each share. That is £0.25p plus £5, making a total payment of £5.25.

Further information about share capital is available in our booklet, '[Share Capital and Prospectuses](#)'.

2. Can a PLC issue shares in another currency?

Yes, if it has passed the necessary resolutions to adopt that currency as part of its authorised capital and given the directors the authority to allot that capital. However, it must always have at least the authorised minimum of £50,000 sterling in issued capital, irrespective of what other currency it uses.

A company may use as many currencies as it wishes for its share capital provided that they are true currencies.

3. When can a PLC start business?

A newly formed PLC must not begin business or exercise any borrowing powers until it has a certificate issued under section 117 of the Companies Act 1985 confirming that the company has issued share capital of at least the statutory minimum (see question one). You can get this certificate from Companies House by completing Form 117. Once issued, the certificate is proof that the company is entitled to do business and borrow. We will normally post you the certificate, but we can fax a copy for collection at any Companies House office if you ask for this when you deliver Form 117 for registration.

4. Are there any other restrictions on a PLC?

Yes. There are four main restrictions:

- A PLC must have at least two members and at least two company directors. The secretary (or each joint secretary) must also be a person who appears to the directors to have the necessary knowledge and ability to fulfil the functions and who:
 - (a) held the office of secretary or assistant or deputy secretary on 22 December 1980; or
 - (b) for at least three of the five years before their appointment, held the office of secretary of a non-private company; or
 - (c) is a barrister, advocate or solicitor called or admitted in any part of the United Kingdom; or
 - (d) is a person who, by virtue of his or her previous experience or membership of another body, appears to the directors to be capable of discharging the functions of secretary; or
 - (e) is a member of any of the following bodies:
 - the Institute of Chartered Accountants in England and Wales;
 - the Institute of Chartered Accountants of Scotland;
 - the Institute of Chartered Accountants in Ireland;
 - the Institute of Chartered Secretaries and Administrators;
 - the Chartered Association of Certified Accountants;
 - the Chartered Institute of Management Accountants (formally known as the Institute of Cost and Management Accountants); or
 - the Chartered Institute of Public Finance and Accountancy.
- A PLC normally has only seven months after the end of its accounting reference period to deliver its accounts to the Registrar. A civil penalty will be incurred if

it delivers accounts to Companies House after the statutory time allowed for filing. Penalties are fully explained in our booklet, 'Late Filing Penalties'.

- A PLC cannot take advantage of many of the provisions and exceptions applying to private companies under the Act, such as audit exemptions for small private companies.
- A PLC cannot apply for voluntary strike-off under section 652A, Companies Act 1985. Further information about this is available in our booklet 'Strike-Off, Dissolution and Restoration'.

5. What then is the advantage of a public company?

A PLC has access to capital markets and can offer its shares for sale to the public through a recognised stock exchange. It can also issue advertisements offering any of its securities for sale to the public. In contrast, a private company may not offer to the public any shares in itself.

6. Do these rules apply to an overseas plc?

Most of the above rules do not apply to a public company formed abroad. On establishing a branch or place of business in Great Britain, such a company is governed by Part XXIII of the Companies Act 1985, just as any other overseas company is. However, besides Part XXIII of the Act, they are also governed by regulations in their country of incorporation, by certain parts of the Financial Services and Markets Act 2000, and by the City Code on Take-overs and Mergers.

UNIT 3. SINGLE MEMBER COMPANIES

1. What is a single member company?

A single member company is a private company, limited by shares or by guarantee, which is incorporated with one member, or whose membership is reduced to one person.

2. Can a single member run the company?

No. The company must still have at least one director and a secretary who cannot also be the sole director.

3. How can a single member hold general meetings?

Unless the company's articles of association specify anything to the contrary, a single member - present in person or by proxy - constitutes a quorum. If such a meeting is held, it must be recorded in the minutes.

If a single member takes a decision, except by written resolution, then the decision must be given to the company in writing.

4. How should a company record an unwritten contract with a sole member?

If the company enters into an unwritten contract with the sole member who is also a director of the company (and the contract is not in the ordinary course of the company's business), the company must ensure that the terms of the contract are set out in a memorandum or are recorded in the minutes of the next directors' meeting.

5. What about the register of members?

A company's register of members must accurately record its members. If a company is incorporated with one member, then the register must reflect this. If the company originally had more than one member and the membership reduces, then the register must show when this happened. Similarly, the appropriate entries must be made in the register of members if the number of members later increases.

UNIT 4. RE-REGISTRATION OF A COMPANY AND ALSO CONVERSION OF A COMPANY TO A CIC

1. Can a private company convert to a PLC?

Yes. Both a private company limited by shares and an unlimited company with a share capital may re-register as a PLC, but a company without a share capital cannot do so.

A private company must pass a special resolution that it be so re-registered and deliver a copy of the resolution together with an application form to the Registrar. The resolution must also:

- alter the company's memorandum so that it states that the company is to be a public limited company;
- make any other alterations to the memorandum so that it conforms to that required for a public limited company;
- make any required alterations to the articles of association of the company.

Further information about resolutions is available in our booklet, 'Resolutions'.

The application must be on Form 43(3), be signed by a director or secretary of the company, and be accompanied by the following documents:

- a copy of the memorandum and articles of association of the company altered in accordance with the resolution above;
- a copy of a balance sheet prepared not more than seven months before the application date and containing an unqualified report by the company's auditors;
- a special report by the auditors regarding the net assets of the company at the balance sheet date in relation to the company's called-up share capital and its undistributable reserves;
- a valuation report on any shares issued as fully or partly paid up except in cash after the balance sheet date;
- a statutory declaration on Form 43(3)(e) confirming that the resolution has been passed, and that there has been no change in the company's financial position causing its net assets to be reduced to less than its called-up share capital and undistributable reserves.

An unlimited company, in addition to the above, must:

- include a statement in the resolution that the liability of the members is limited and what the company's share capital is to be;
- make such alterations to the memorandum and articles of association as are necessary for them to conform to those of a company limited by shares.

The company must also satisfy the statutory minimum share capital requirements referred to in question 1 of chapter 2 before the special resolution is passed.

2. Can a PLC convert to a private company?

Yes. A public company limited by shares or by guarantee may re-register as a private company limited by shares or by guarantee by passing a special resolution to do so. However, if enough members object, under section 54 of the Companies Act 1985 they may apply to the court to cancel the resolution within 28 days of its being passed.

A Court may also order a public company to re-register as private on approving a 'minute of reduction' of share capital which results in the issued share capital falling below the statutory minimum. In such a case the Court will also specify alterations to the company's memorandum and articles. A special resolution to re-register is not required.

Similarly, a public company may be required to re-register as private if its issued share capital falls below the statutory minimum by other means. These include redemption, forfeiture or repurchase of shares. In these cases a special resolution to re-register is required.

In all cases (except where a court has specified in an order the alterations to be made) a resolution must also be passed to alter the memorandum and articles of association to those required for a private company.

The application for re-registration (on Form 53) must be accompanied by copies of the resolutions and copies of the memorandum and articles as modified to meet the company's new circumstances.

3. What is the cost of re-registration (for companies excluding CICs)?

The standard fee for re-registration is £20, or £50 for premium same-day service. If the company is re-registering and changing its name at the same time, an additional change of name fee of £10 is also payable, so the total fee is £30 (£100 for premium same-day service).

- Change of name £ 10
- Same-day change of name £ 50
- Same-day simultaneous re-registration and change of name £100
- Re-registration £ 20
- Same-day re-registration £ 50

Deleting the words 'company' or 'and company' (or their abbreviations or their Welsh equivalents) from a company name would normally be a change of name. But, this is not so on re-registration. If you are in any doubt about the appropriate fee, please contact us.

4. Can an existing company convert to a CIC?

Yes, an existing company can apply to the Regulator of community interest companies to convert to a CIC. For further details, please refer to the CIC website on www.cicregulator.gov.uk.

5. What are the fees for CICs?

- Conversion £25
- Change of name £10
- Change of status £20
- Conversion involving change of status (Re-registration) £35

Please note that same day services will not be available for CICs in the foreseeable future.

UNIT 5. Publication of company name and details to be shown on company stationery

Under the Companies Act 1985 your company must state its name (as it appears in its memorandum of association) in certain places and on its business stationery. Your company must also give certain information on all its business letters and order forms.

1. Where must the company name be displayed?

Every company must paint or affix its name on the outside of every office or place in which its business is carried on - even if it is a director's home. The name must be kept painted or affixed and it must be both conspicuous and legible.

2. On which documents must the company name be shown?

The company must state its name, in legible lettering, on the following:

- all the company's business letters;
- all its notices and other official publications;
- all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods purporting to be signed by, or on behalf of, the company;
- all its bills of parcels, invoices, receipts and letters of credit.

3. Must the company show any other details?

Yes. On all its business letters and order forms the company must show in legible lettering:

- Its place of registration and its registered number. The place of registration must be one of the following, as appropriate:

For companies registered in England and Wales:	For companies registered in Scotland:
Registered in Cardiff	Registered in Scotland
Registered in England and Wales	Registered in Edinburgh
Registered in England	
Registered in London	
Registered in Wales	

- The address of the registered office. If a business letter or order form mentions more than one address, it is recommended that you state which is the registered office address.

4. Must directors' names be shown?

A company does not have to state the directors' names on its business letters but, if it chooses to do so it must state the names of all its directors. In other words a company cannot be selective about which directors' names it shows - it must show all of them or none of them.

5. Must anything else be shown?

Certain categories of company must also state the following additional information on their business letters and order forms:

- For an investment company (as defined by section 266 of the Companies Act 1985), that it is such a company.
- For a company exempt from using the word 'limited' in its name, the fact that it is a limited company.

For a company with share capital, it is not necessary to state the share capital on stationery but, if the company chooses to do so, it must state its paid-up share capital, not its authorised capital.

6. Are there special rules for charitable companies?

Under section 68 of the Charities Act 1993, a charitable company whose name does not include the word 'charity' or 'charitable' must state the fact that it is a charity on all the documents listed under question 2, in all bills it sends and on any conveyances it executes.

Section 68 does not require a charitable company to include the word 'charity' or 'charitable' in its name.

The Charities Act 1993 does not apply to charitable companies registered in Scotland but the same rule applies to Scottish companies under section 112(6) of the Companies Act 1989.

7. Do the rules apply to oversea companies?

A company incorporated outside Great Britain which opens a branch or place of business in Great Britain must be registered and must give similar details to those stated in this chapter. Full details are listed in our booklet, 'Overseas Companies'.

UNIT 6. The new company - looking forward

1. What information does Companies House require?

Company directors have a personal responsibility for making information about the capital structure, management and activities of their companies available both to the members of the company and to the general public.

For companies with limited liability, this will include accounts. If your company is unlimited, accounts must be delivered to the Registrar if:

- it is a subsidiary undertaking or parent of a limited company; or
- it has been a banking or insurance company or operated a trading stamp scheme during the period covered by the accounts.

2. What period should the accounts cover?

A company's first accounts must start on the day of incorporation. The first financial year must end on the 'accounting reference date' or a date up to seven days either side of this date (see question 3). Subsequent accounts start on the day following the year-end date of the previous accounts. They end on the next 'accounting reference date' or a date up to seven days either side.

3. How is the accounting reference date set?

The accounting reference date is the date in each year to which accounts will be drawn up. The date depends on the date of incorporation as it is the last day of the month in which the anniversary of incorporation falls. For example, if your company is incorporated on 2 July this year, the accounting reference date will be 31 July, and its first financial year must end on 31 July next year (or within seven days of that date).

4. Can the accounting reference date be changed?

Yes. You may change it by sending Form 225 to the Registrar. You must do this during the accounting period affected by the change or during the period allowed for delivering the associated accounts to us. For more information, see our booklet, 'Accounts & Accounting Reference Dates'.

5. How long do I have to deliver accounts?

The first accounts of a private company must be delivered:

- within 10 months of the end of the accounting reference period; or

- if the accounting reference period is more than 12 months, within 22 months of the date of incorporation, or three months from the end of the accounting reference period, whichever is longer.
- The first accounts of a public company (PLC) must be delivered:
- within seven months of the end of the accounting reference period; or
- if the accounting reference period is more than 12 months, within 19 months of the date of incorporation, or three months from the end of the accounting reference period, whichever is longer.

6. *What else must I tell Companies House?*

Here are some of the important things that you must tell us about - using, in most cases, a special form we provide, and within the time limits stated.

- Changes of director(s) and secretary, within 14 days. For:

appointments	use Form 288a
resignations	use Form 288b
change of personal details	use Form 288c

- Details of new shares being allotted, within one month. Use Form 88(2). See our booklet, 'Share Capital and Prospectuses' for more information.
- Any special or extraordinary resolutions and certain types of ordinary resolution, within 15 days of them being passed by the company. There is no special form but we need to receive a copy of the resolution. More information about company resolutions is available in our booklet, 'Resolutions'.
- When a resolution alters the memorandum or articles of association of a company, a copy of the amended document must also be sent in at the same time as the resolution.
- Details of any mortgage or charge created by the company, within 21 days. See our booklet, 'Company Charges and Mortgages' or for Scottish companies, 'Company Charges (Scotland)'.
- A change of registered office, within 14 days. Use Form 287. The change becomes legally effective only when we have registered the form.
Electronic delivery of directors details and registered office address:
The Registrar's PROOF (PROtected On-line Filing) Scheme
Company directors hold an important position in a company: they have power to make purchases and enter into credit arrangements on behalf of the

company. Similarly, the registered office address is important because it is the address to which all official communications will be sent.

Records held at Companies House are sometimes used to check the legitimacy of a company and its directors before credit or loans are made therefore it is important that the records are correct. Companies are vulnerable to fraud if the wrong people get themselves on record as company directors or a bogus registered office address is filed.

In order to combat fraudsters posing as legitimate directors, Companies House offers companies a fully electronic and secure system for notifying changes of directors and changes to the registered office address. If you opt to only notify these electronically, they will be protected by electronic codes and we will not accept notices from your company delivered in any other format.

In order to take advantage of this service you will first need to register through our WebFiling service for a security code and an authentication code to enable your company to file electronically. To find out more about this please visit our web site at www.companieshouse.gov.uk.

You will then need to complete an 'Opt-in' form (PR1) and agree to the terms and conditions so that any change of directors or change of registered office address are only accepted by Companies House if they are delivered by the secure electronic method and never on a paper form. The 'Opt-in' form and terms and conditions are available from our web site or by calling 0870 33 33 636. The completed form must be posted back to Companies House.

This service is voluntary; you may opt-out at any time and we will revert to accepting notices from your company delivered electronically or on paper forms.

7. What about annual returns?

Every company must deliver an annual return to Companies House at least once every 12 months. It has 28 days from the date to which the return is made up to do this.

To help you meet this filing requirement, we send a pre-printed 'shuttle' form to your registered office a few weeks before the anniversary of incorporation. This will show the information that you have already given us.

All you have to do is:

- check that the details are still correct;
- amend any that are not; and
- send the form back, signed and dated, within 28 days of the date of the return which is shown on the front of the form.

There is an annual document-processing fee of £30 (or £15 for users of our Software Filing or WebFiling services), which must be sent to us with the annual return.

Please note: Currently, we estimate that 5% of companies on the register are unable to use our WebFiling service. This includes companies that wish to file using Welsh. Companies House is presently working towards enabling these companies to file their annual returns electronically.

If you want to send an annual return to Companies House before the company's anniversary of incorporation, please telephone 0870 33 33 636 and ask for a pre-printed 'shuttle' annual return (Form 363s). This will be easier than using a 'blank' annual return (Form 363a).

8. What does Companies House do with the information my company sends?

We must make the information we hold about registered companies available to anyone who wants to see it. So the information you send will be added to your company's record and will be available for public inspection.

9. What happens if I don't send the information to Companies House on time?

It is easy to lose confidence in a company that doesn't meet its legal obligations. If you don't tell us about your company's financial state on time, and you don't send in details of changes, anyone wanting to do business with you will not have access to the most up-to-date information about your company. It could cause trading problems or affect your company's credit rating. It could even stop a potential investor from putting money into your company, or prevent you from getting a loan when you need it.

If your accounts are delivered late, there is an automatic penalty. This is between £100 and £1,000 for a private company and between £500 and £5,000 for a PLC. More information about late filing penalties is available in our booklet, 'Late Filing Penalties'.

In addition, directors may be prosecuted for not filing certain documents. If convicted, they will have a criminal record and be liable for a fine of up to £5,000 for each offence. In some cases, they could also be disqualified from being a company director or taking part in the management of a company for up to five years.

10. What if the company doesn't take off or I no longer need it?

Private companies that have not traded or otherwise carried on business for at least three months may apply to the Registrar to be struck off the register. For information on this, see our booklet 'Strike-off, Dissolution and Restoration' or for Scottish companies, 'Strike-off, Dissolution and Restoration' (Scotland). This procedure is not an alternative to formal insolvency proceedings where these are appropriate - see our booklet 'Liquidation and Insolvency' or for Scottish companies, 'Liquidation and Insolvency' (Scotland).

UNIT 7. FURTHER INFORMATION

1. Where can I go for help?

Our staff in Cardiff and Edinburgh will be able to advise you on matters generally, but when you start a company it is important to get things right. So that you don't make what could turn out to be costly mistakes, it may be sensible to consult a solicitor, a company formation agent, a chartered secretary or an accountant as appropriate. Addresses will usually be found in the Yellow Pages.

For enquiries on community interest companies, please visit www.cicregulator.gov.uk

2. How do I send information to the Registrar?

You may deliver documents to the Registrar by hand (personally or by courier), including outside office hours, bank holidays and weekends to Cardiff, London and Edinburgh - see the back cover for addresses.

You may also send documents by post, by the Hays Document Exchange service (DX) or by legal Post (LP) in Scotland. If you send documents please address them to:

For companies incorporated in England & Wales:	For companies incorporated in Scotland:
The Registrar of Companies Companies House Crown Way Cardiff CF14 3UZ	The Registrar of Companies Companies House 37 Castle Terrace Edinburgh EH1 2EB
DX33050 Cardiff	DX ED235 Edinburgh 1 LP - 2 Edinburgh 4

We will only acknowledge receipt of documents at Companies House if you provide a stamped addressed envelope. If you are sending documents by post, courier or Britdoc (DX) and would like a receipt, Companies House will provide an acknowledgement if you enclose a copy of your covering letter with a pre-paid addressed return envelope. We will barcode your copy letter with the date of receipt and return it to you in the envelope provided. Please note: an acknowledgement of receipt does not mean that a document has been accepted for registration at Companies House.

CHAPTER III COMPANIES ACT 2006

From Wikipedia, the free encyclopedia

The Companies Act 2006 (c.46) is an Act of the Parliament of the United Kingdom of Great Britain and Northern Ireland regulating companies within that jurisdiction. It has the distinction of being the longest in British Parliamentary history: with 1,300 sections and covering nearly 700 pages, and containing no fewer than 15 schedules. (The list of contents alone is 59 pages long.)

The Act was brought into force in stages, with the final provision being commenced on 1 October 2009. It superseded the Companies Act 1985.

The Act provides a comprehensive code of company law for the United Kingdom, and made changes to almost every facet of the law in relation to companies. The key provisions are:

- the Act codifies certain existing common law principles, such as those relating to directors' duties.
- it implements the European Union's Takeover and Transparency Obligations Directives.
- it introduces various new provisions for private and public companies.
- it applies a single company law regime across the United Kingdom, replacing the two separate (if identical) systems for Great Britain and Northern Ireland.
- it otherwise amends or restates almost all of the Companies Act 1985 to varying degrees.^[1]

The Bill for the Act was first introduced to Parliament as "the Company Law Reform Bill" and was intended to make wide-ranging amendments to existing statutes. Lobbying from directors and the legal profession ensured that the Bill was changed into a consolidating Act, avoiding the need for cross-referencing between numerous statutes.

The reception of the Act by the legal professions in the United Kingdom has been slightly lukewarm.^[2] Concerns have been expressed that too much detail has been inserted to seek to cover every eventuality.^[3] Whereas a complete overhaul of company law was promised, the Act seems to leave much of the existing structure in place, and to simplify certain aspects only at the margins. In other areas, it is said to have complicated and obfuscated previously settled law.

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Implementation

A small proportion of the Act came into effect on Royal Assent in November 2006. The first and second Commencement Orders then brought further provisions into force in January 2007 and April 2007. The implementation timetable for the remainder of the Act was announced in February 2007, by Margaret Hodge, Minister for Industry and the Regions. The third and fourth Commencement Orders brought a further tranche of provisions into force in October 2007, and the fifth, sixth and seventh in April and October 2008. The eighth commencement order, made in November 2008, brought the remainder of the Act into force with effect from October 2009.

The staggered timetable was intended to give companies sufficient time to prepare for the new regime under the Act, rather than implementing all 1,300 sections of the Act on one day.

Another reason for the staggered implementation is that, despite the Act's size, a great many sections provide for subsidiary legislation to be brought in by Secretary of State, which has taken time to draft.

Implementation of the Act is the responsibility of the Department for Business, Innovation and Skills.

Directors

Main article: Board of directors

The Act replaced and codified the principal common law and equitable duties of directors, but it does not purport to provide an exhaustive statement of their duties, and so it is likely that the common law duties survive in a reduced form. Traditional common law notions of corporate benefit have been swept away, and the new emphasis is on corporate social responsibility. The seven codified duties are as follows:

- S171 *to act within their powers* - to abide by the terms of the company's memorandum and articles of association and decisions made by the shareholders;
- S172 *to promote the success of the company* - directors must continue to act in a way that benefits the shareholders as a whole, but there is now an additional list of non-exhaustive factors to which the directors must have regard. This was one of the most controversial aspects of the new legislation at the drafting stage. These factors are:
 - ✓ the long term consequences of decisions
 - ✓ the interests of employees
 - ✓ the need to foster the company's business relationships with suppliers, customers and others
 - ✓ the impact on the community and the environment
 - ✓ the desire to maintain a reputation for high standards of business conduct
 - ✓ the need to act fairly as between members
- S173 *to exercise independent judgment* - directors must not fetter their discretion to act, other than pursuant to an agreement entered into by the company or in a way authorised by the company's articles
- S174 *to exercise reasonable care, skill and diligence* - this must be exercised to the standard expected of
 - ✓ someone with the general knowledge, skill and experience reasonably expected of a person carrying out the functions of the director (the *objective* test) and also
 - ✓ the actual knowledge, skill and experience of that particular director (the *subjective* test)
- S175 *to avoid conflicts of interest* - methods for authorising such conflicts by either board or shareholder approval are also to be introduced
- S176 *not to accept benefits from third parties*
- S177 *to declare an interest in a proposed transaction with the company* - there are to be carve outs for matters that are not likely to give rise to a conflict of interest, or of which the directors are already aware. There will be an additional statutory obligations to declare interests in relation to existing transactions.

Although the changes to directors' duties were the most widely publicised (and controversial) feature of the legislation, the Act also affects directors in various other ways:

 - S239 The shareholders' ability to ratify any conduct of a director (including breach of duty, negligence, default or breach of trust) is regulated by the statute, although S 239.7 leaves the door open for common law principles, previously the only guide on this. Under the Act, directors who are also shareholders, or persons connected to them, are not entitled to vote in relation to any ratification resolution concerning their actions.
 - Existing restrictions on companies indemnifying directors against certain liabilities were relaxed to permit indemnities by group companies to directors of corporate trustees and occupational pension schemes.

- SS261-3 The Act gave shareholders a statutory right to pursue claims against the directors for misfeasance on behalf of a company (a derivative action), although the shareholders need the consent of the court to proceed with such a claim.
- Certain transactions between the company and its directors which were previously prohibited by law have become lawful subject to the approval of shareholders (for example, loans from the company to its directors)
- The Act requires at least one director on the board of the company to be a natural person, although corporate directors are still permitted.
- The current age restriction of 70 for directors of public companies has been abolished. A new minimum age of 16 has been introduced for all directors who are natural persons (S157).
- Directors will have the option of providing Companies House with an address for service, which will in future enable their home addresses to be kept on a separate register to which access will be restricted.

General provisions

The Act contains various provisions which affect all companies irrespective of their status:

- *Company formation* - the procedure for incorporating companies will be modernised to facilitate incorporation over the Internet. It will become possible for a single person to form a public company..
- *Constitutional documents* - a company's articles of association will become its main constitutional document, and the company's memorandum will be treated as part of its articles. New model articles for private companies to be made under the Act are intended to reflect better the way that small companies operate, and will replace the existing Table A. Existing companies will be permitted to adopt the new model articles in whole or in part.
- *Corporate capacity* - under the new Act a company's capacity will be unlimited unless its articles specifically provide otherwise, thus greatly reducing the applicability of the *ultra vires* doctrine to corporate law and removing the need for an excessively long objects clause in the Memorandum of Association.
- *Execution of documents* - Formalities for execution as a deed are to be further revised, so that a single director can execute a document as a deed on behalf of the company by a simple signature in the presence of a witness.
- *Share capital* - the requirement for an authorised share capital will be abolished. Companies will be able to redenominate their share capital from one currency to another without an order of the court.
- *Distributions in kind* - The Act addresses the current uncertainty in the law in relation to the transfer of non-cash assets by a company to a shareholder, and whether this should be treated as a distribution.^[4]

- *Shareholder meetings* - The Act enables shareholder meetings to be held more quickly. Special resolutions now require only 14 days' notice unless proposed at an AGM.
- *Shareholder communications* - The Act made it easier for companies to communicate electronically (eg by email or by website) with their shareholders by express agreement (which agreement can be obtained under the articles, or by the shareholder failing to indicate that they do not wish to communicate via the website, as well as by more conventional methods).
- *Auditor's liability* - auditors are now permitted to limit their liability for claims in negligence, breach of trust or breach of duty so long as:
 - the shareholders have approved the limitation in advance.
 - the court considers the limitation of liability to be 'fair and reasonable' ^[5]

This change was made after intensive lobbying by the accounting profession in the United Kingdom.

- *Company Names Adjudicator* - Section 69 of the Act provides for the appointment of a Company Names Adjudicator. A Company Names Tribunal was established on 1 October 2008 through which the Company Names Adjudicator will administer his powers via the UK Intellectual Property Office under the tribunal. Section 69 has expanded the grounds under which any person can object to a conflicting company name registration under the Act.

Private companies

One of the more touted aspects of the new legislation was the simplification of the corporate regime for small privately held companies. A number of the changes brought about by the Act apply only to private companies. Significant changes include:

- *Company secretaries* - a private company no longer needs to appoint a company secretary, but may do so if it wishes.
- *Shareholders' written resolutions* - the requirement for unanimity in shareholders' written resolutions was abolished, and the required majority is similar to that for shareholder meetings - a simple majority of the eligible shares for ordinary resolutions, or 75% for special resolutions.
- *Abolition of AGMs* - private companies are no longer required to hold Annual General Meetings, although they can elect to provide for them in their articles if they wish.
- *Short notice of meetings* - private companies can convene meetings at short notice where consent is given by holders of 90% by nominal value of shares carrying the right to vote.
- *Allotment of shares* - where private companies have only one class of shares, the directors will have unlimited authority to allot shares unless the articles otherwise provide.

- *Financial assistance* - the Act abolishes the prohibition on private companies providing financial assistance for the purchase of their own shares, and the related "whitewash" exemption procedure.
- *Reduction of share capital* - private companies will be able to reduce their share capital without the need to obtain a court order.
- *Filing of accounts* - the period in which accounts must be filed has been reduced from 10 months to 9 months from the financial year end.

Public and listed companies

The Act also seeks to promote greater shareholder involvement, and a number of new requirements are introduced for public companies, some of the provisions of which only apply to companies whose shares are listed on the main board of the London Stock Exchange (but, importantly, not to companies whose shares are listed on AIM).

- *Business review* - the Act imposes additional requirements for companies listed on the main board of the LSE in their annual report and accounts. These now include:
 1. main trends and factors likely to affect future development, performance and position of the business;
 2. information on environmental matters, employees and social issues; and
 3. information on contractual and other arrangements essential to the company's business.
- *AGM and accounts* - main list companies will be required to hold their AGM and file accounts within 6 months of the end of the financial year. They will also be required to:
 1. publish their annual report and accounts on their website;
 2. disclose results of polled votes at general meetings on their website;
 3. give certain minority shareholders the right to require independent scrutiny of any polled vote, the results of which must be published on the company's website.
- *Political donations and expenditure* - the Act contains simplification and clarification of the existing provisions requiring shareholder approval for political donations and expenditure, and clarifies a number of grey areas (such as expenditure relating to trade unions).
- *Enfranchising indirect investors* - nominee shareholders of main list companies will be able to nominate persons on behalf of whom they hold shares to receive copies of company communications and annual reports and accounts. All companies will also be able to include provisions in their articles to identify some other party to exercise additional rights of the shareholder. This is to address the concern that shares in publicly listed companies are frequently held in an inter-

mediary's name, which makes it more difficult for the beneficial owners of the shares to exercise their rights as shareholder.

- *Voting by institutions* - the Act empowers the government to introduce regulations in the future that would require institutions to disclose how they have voted. The government has indicated it will only introduce such regulations after full consultation and if a voluntary disclosure scheme does not work.
- *Paperless share transfers* - the Act gives the government power to make regulations requiring (as well as permitting) paper-free holding and transferring of shares in main list companies. Some law firms^[who?] have expressed reservations as to how paper-free holding and transfers would work in practice.
- *Transparency Obligations Directive* - the Act brings into force the European Directive imposing obligations on main list companies in relation to financial reporting, disclosure of major acquisitions or disposals of its shares and the dissemination of information about the company to its shareholders and the public generally. The Act gives the Financial Services Authority power to make rules to implement the requirements of the Directive, which would be implemented by way of changes to the existing Listing Rules and Disclosure Rules. The Act also introduces a statutory compensation scheme for misleading or inaccurate statements in reports.
- *Takeovers* - the EU Takeover Directive was implemented by interim regulations in the United Kingdom in May 2006. The Act extends the statutory basis for the regulations in relation to certain matters, such as the statutory footing of the Takeover Panel, and the City Code on Takeovers and Mergers. It also extended the "minority sweep up" provisions which were introduced by an amendment to the Companies Act 1985, and addresses certain practical problems which had arisen in relation to their operation.

CHAPTER IV MONEY

UNIT 1. THE ALMIGHTY DOLLAR

Before You Read

The United States' economic system, based on the principles of capitalism, is often said to produce materialistic values in the country's citizens, who care too much about money and possessions. In the following reading, the authors discuss briefly the basis of this materialism and of other American cultural values.

Before you read, think about these questions:

- Are Americans too concerned with wealth?
- What kinds of attitudes about wealth do people in your own culture have?

About the Authors

Conrad M. Arensberg and Arthur N. Niehoff are American anthropologists and editors of the book *Introducing Social Change*.

American Cultural Values

by Conrad M. Arensberg and Arthur N. Niehoff

The rich resources of America, along with the extraordinary growth of its industrial economy, have brought a widespread wealth of material goods such as the world has not seen before. There has been a wholesale development and diffusion of the marvels of modern comfort – swift and pleasant transportation, central heating, air conditioning, instant hot and cold water, electricity, and laborsaving devices of endless variety. The high value placed on such comforts has caused industries to be geared to produce ever greater quantities and improved versions. Americans seem to feel that they have a "right" to such amenities.

Achievement and success are measured primarily by the quantity of material goods one possesses, both because these are abundant and because they indicate how much money an individual earns. This material evidence of personal worth is modified by the credit system; but still, credit purchases will carry an individual only so far, after which credit agencies will refuse to advance more without evidence of fundamental wealth.

Since there is little display value in the size of one's paycheck or bank account, the average individual buys prestige articles that others can see: expensive clothing or furniture, a fine car, a swimming pool, an expensive home, or one of the endless variety of devices that may have other functions but can also readily be seen by visitors – power mowers, barbeque paraphernalia, television, and stereophonic systems. A person's status is affected to a secondary degree by his level of education, type of occupation, and social behavior; but even these qualities seem to be significant only in terms of how much income they help him to obtain. Thus, a college professor who has earned his Ph.D. will have less status in the general community than a business executive or film actor who has no college education but commands a much larger salary.

Check Your Comprehension

According to the authors, how is status achieved in American culture?

How important is education to a person's status?

How is status most likely to be exhibited by an average American?

Vocabulary: In Context

Wholesale is closest in meaning to:

- a. cheap, inexpensive
- b. large, unlimited
- c. not retail

Amenities is closest in meaning to:

- a. things that improve one's life
- b. friendships
- c. religious beliefs

If something has *little display value* it:

- a. has a low price
- b. cannot be shown to other people
- c. is too small to read

Paraphernalia is closest in meaning to:

- a. fire
- b. food
- c. equipment

Commands is closest in meaning to:

- a. directs
- b. deserves
- c. controls

Think About it

What are some of the "side effects" of modern comforts?

Why do you think a movie actor has more "status" than a college professor? Do you think this value is appropriate?

How are attitudes about wealth in your own culture different from or similar to American ones?

(I) Which of the following things do *you* think are prestigious?

Place a check mark on the line next to each one.

(II) Now ask an "average American"/ German, Italian, Frenchman etc./ which items he or she finds prestigious. Place a check mark on each of those lines.

	YOU	"AVERAGE AMERICAN"
a. Having a Ph.D. in English	_____	_____
b. Having a Ph.D. in economics	_____	_____
c. Owning a bank	_____	_____
d. Owning a flower shop	_____	_____

- e. Hiring a full-time babysitter (\$15,000 per year) _____
- f. Hiring a full-time housekeeper (\$15,000 per year) _____
- g. Eating in a French restaurant (\$50.00) _____
- h. Eating in an American restaurant (\$50.00) _____
- i. Owning an American pickup truck (\$25,000) _____
- j. Owning a German sedan (\$25,000) _____

(III) How are your choices different from the average American's?

(IV) Finally, looking at pairs a-b, c-d, etc., would one item of each pair be considered more prestigious than the other? Since money is not the most important factor in these choices, what other factors could influence "prestige"?

Before You Read

Table 1. Consumer Credit

number of credit card owners	107,200,000
number of credit cards	841,000,000
dollars spent using credit cards	\$374,800,000,000
total credit card debt	\$152,500,000,000

Source: *The Nilson Report*, HSN Consultants (Los Angeles).

As table 1 shows, many Americans depend on credit to purchase the things they want. A recent trend in credit has been "gold" credit cards, which offer the user more services and, some might say, more "prestige."

The following article tells of one man's experience with a "prestige" credit card.

Before you read, think about these questions:

How are most purchases made in your culture (for example, with cash, checks, credit cards, or some other system)?

Do you have any credit cards? If not, would you like to?

Glossary

Fort Lauderdale City in the state of Florida; the headquarters of the American Express Corporation are found there.

Toys "Я" Us Large chain of toy stores

About the Author

Bob Greene is a journalist who writes for many newspapers and magazines. He has written several books as well.

Platinum Card

by Bob Greene

He had an embarrassed, furtive sound to his voice. He said he had a confession to make.

"I got the American Express Platinum Card," he said. He was referring to the new credit cards that are sold for \$250 a year to the top echelon of American Express's charge-card customers.

"You really have one?" I said.

"You can't use my name," he hurriedly said. "I'm a funeral director, and it wouldn't look good for the families around here to think that I'm spending their hard-earned money on something like the Platinum Card".

I asked him to tell me the whole story. "Start at the beginning", I said.

"Well, first I just had the regular American Express green card," he said. "I thought that was a pretty good card to have. Then we were at lunch at Kon-Tiki Ports, and the bill came. I gave the waiter my card. He came back and said, "I'm sorry, but it's going to be a while. There's a problem with the phone lines, and we have to wait to get verification on your card."

"My friend who was with me whipped out his Gold Card. He said, "Will we have to wait with this?" The waiter said, "No *sir!* Right away!"

"They said *sir* to him. They never said *sir* to me. I thought, "Phooey on this. I need a Gold Card!"

So he applied for one and he got it. American Express's regular green cards cost \$35 a year; the Gold Cards cost \$65 a year. But he figured it was worth it.

Then, earlier this year, he looked at an American Express imprinting machine in a restaurant. There were decals on it showing the regular green card and Gold Card. But there was a new decal, too: the Platinum Card.

"I asked the person at the restaurant about it," he said. "He told me that the Platinum Card costs \$250 a year, and only the very elite of American Express's customers could get one.

"I had to do it. I called American Express and asked how I could get a Platinum Card. The person on the phone was very snotty about it. The person said, "*We will determine who receives a Platinum Card. You cannot apply for it. You must be invited.*" Very aloof.

"Part of me realized that there is something very warped about a society that tells you that you can pay \$250 for a charge card that has a different color to it than your regular charge card – and you actually want the \$250 card anyway.

"But each day I looked in my mail for an invitation. It didn't come and it didn't come. I felt brokenhearted. I wasn't good enough for the Platinum Card. I wondered what I had done to get American Express mad at me.

"Each day I woke up and thought, "Maybe this is the day!" Each day passed, and I wasn't one of the chosen people.

"But then it happened. In October, it came. The envelope was like parchment. There were platinum lines all over it. It made me feel like someone was asking me to marry their daughter.

"I opened it up. It was an invitation to obtain a Platinum Card. Not an application – an invitation.

"I sent my check for \$250 in. When the card came, it was in an envelope from Fort Lauderdale. This is no kidding – I took it in the bathroom to open it up. I didn't want anyone else around.

"Inside me, a little voice was saying "You're living a double standard." I told the little voice to shut up.

"I had to use it right away. So I went down to a Toys "Я" Us store to buy a video game cartridge for one of my kids. Very casually, I handed my new Platinum Card to the girl behind the counter.

"All she said is, "I'm new here, I've never done an American Express card before. I have to get the manager." The manager came up and he just processed the card. No big reaction. No bells ringing. People were standing behind me in line – no reaction from them either. I felt like I wanted to cry. I had just laid a Platinum Card on them – and nothing.

"I went home and walked in the house with a big smile on my face. I said to my wife, "Guess what I got?" I whipped out my Platinum Card. She said, "That's nice, dear." I said, "No, honey, you don't understand. This is a *Platinum Card*. She said, "Yes, honey. An American Express Card."

He said it was all downhill from there. So far, there has been virtually no reaction to the Platinum Card spent \$250 for. Once he took a friend to lunch, and when he paid for it with his Platinum Card, he thought he noticed two men at the next table looking over and smiling.

"But after lunch I kept asking myself: Were they smiling or were they smirking? Did they think I was one of life's special few for having a Plati-

num Card? Or did they think I was a jerk for putting out \$250 for a credit card?"

In his dark moments, he has had a troubling thought: "I see them sitting around in the American Express boardroom, and suddenly one of the big corporate bosses says: "I need a new pool in my back yard. Let's color some of our cards platinum and see if we get some suckers to pay \$250 for them.

He said that every time he pulls out his Platinum Card now, he's not sure how he should feel. "It doesn't exactly give you a warm feeling, like sex or a hot toddy," he said. "But there's a definite twinge you feel in your ego."

So what was the final answer, I asked. Did his Platinum Card make him feel like a special person or like a sucker?

"I feel like a special type of sucker," he said.

Check Your Comprehension

1. What is the difference between an American Express Green Card, Gold Card, and Platinum Card?
2. Why do you think the waiter responded differently to the Gold Card?
3. Why was the funeral director embarrassed about his Platinum Card?

Vocabulary: Slang and Colloquial Language

Complete the sentences below with a colloquial word or phrase chosen from the following group.

pretty good	whip out	phoey	shut up
downhill	sucker	snotty	jerk

1. I felt like a _____ when I told my friend to _____.
2. "_____ on this," John said. "I'm not standing in the rain to buy tickets. I'm no _____."
3. That movie won't win any Academy Awards, but it was _____. It went _____ after the chase scene.
4. Before I could _____ my money, Mary paid for lunch.
5. "You have a bad attitude," Bill said. "Don't be so _____."

Think About It

1. If you were invited, would you accept the Platinum Card? Why or why not?

2. Do you think there are advantages to having credit cards? If so, what are they? If not, why not?
3. Look through a magazine or newspaper for an advertisement for a credit card. What kinds of services does it provide? How does the ad try to appeal to the reader?
4. Imagine you work for a credit-card company. Invent a *new* credit card that will be more prestigious than the platinum card.

Color or name of card: _____

Cost per year: _____ By application or invitation? _____

If by application, what requirements will you have?

If by invitation, what sort of person will you invite?

Often, credit-card companies offer additional services – for example, insurance for car rentals and gifts for spending certain amounts of money per year. Besides credit, what additional services will your new improved card offer?

UNIT 2. HOUSING: A ROOF OVER ONE'S HEAD

Before you Read

This reading addresses the issue of home ownership in the United States. It comes from a book that explains the process of home buying for consumers who may be considering buying their first home.

Before you read, think about the following questions:

- Do you think home ownership is important? Why or why not?
- Do you know what percentage of people in your country own their own homes?

Glossary

Energy Belt Southern states, especially Texas and Louisiana, involved in the production of oil and natural gas

About the Author

Bob Vila is a popular television figure who once hosted a television series *This Old House* on public television. He is also the author of books on building and restoring houses.

Do You Really Want to Buy a House?

by Bob Vila

Home ownership is the heart of what we call the American Dream. It stands for many of the things we value about our way of life. It's one way we think about progress, and for a lot of us, it's one of the definitions of success.

And from the depths of the Great Depression of the 1930s right on up to 1980, the progress in this respect was steady. In 1935, home ownership was confined to less than 30 percent of the population. By 1980, very nearly two thirds of the American people (65.8 percent, to be exact) lived in their own home.

But then the steady growth stopped and started falling back. By 1987 the home-ownership rate had declined to 63.4 percent, 2.4 points below the 1980 high.

Why did this happen? The basic reason for the turnaround is simply that home ownership, which was never cheap to begin with, has gotten more and more expensive.

The following facts will bear this out, and I suggest that all prospective buyers think about them carefully.

Ownership costs are increasing more rapidly than income. In 1970, the median family income in the United States was \$9,700 a year, and the median price of a single-family dwelling was about \$23,000.

By 1987, though the median family income had risen by almost 100 percent, to \$18,934, the median housing price had risen by 366 percent, to \$83,400. In some areas of the country the rate of increase has been even greater.

Steadily larger cash down payments are being demanded. Ten years ago the standard (20 percent) down payment on an average house required about a third of the average annual family income. Today the down payment represents more than half of what the average family earns in a year. In the nation's highest-priced markets along the West and East coasts, that ratio can approach 75 percent.

Monthly Principal and Interest (P & I) payments have soared. In 1970 the monthly mortgage payment on the median-priced (\$23,000) house, with 20 percent down, a thirty-year term, and an interest rate of 8.5 percent, would have been \$141.49. If you had bought the median-priced house in 1987, again putting up 20 percent as a down payment, your monthly principal and interest payments for a thirty-year mortgage at 10 percent would have been \$591.70. That's an increase of 318 percent!

The impact of these rising costs falls most heavily on younger buyers. In 1980, almost two thirds of Americans between the ages of twenty-five and

thirty-four owned their own homes. That set a historical record. But by the end of 1987 this proportion had fallen from two thirds to little more than one half.

Mortgage foreclosures are increasing. The number of home-mortgage foreclosures has soared in recent years in some areas of the country, notably in the economically depressed Energy Belt. You read every day about people in Texas and Louisiana and some areas of the Midwest walking away from homes they can no longer afford, homes that are now worth less than the amount outstanding on the mortgage. That prospect has to be a bit unnerving to anyone thinking about buying a home.

But don't let me discourage you! If I'm not selling real estate, I'm not warning against it, either. I'm simply saying that it's harder to buy a home than it used to be, not that it's impossible. If you're a first-time buyer today, you'll have to look harder, be more creative, and display a greater willingness to compromise than you would have had to twenty or so years ago. The house of your dreams may be beyond your reach, but the dream of home ownership doesn't have to be.

Check Your Comprehension

1. How is home ownership related to "The American Dream"?
2. Why is the percentage of people owning their own homes decreasing in the United States?
3. Why are younger buyers more disadvantaged now than older buyers were when it comes to buying a home?

Vocabulary: Housing Terminology

Refer to the reading to determine the meanings of the following phrases. Then match the phrases to their definitions:

- | | |
|-----------------------|--|
| _____ 1. down payment | a. when the lender revokes the rights to a property because the owner was unable to pay for it |
| _____ 2. principal | b. an agreement to borrow money in order to buy a house |
| _____ 3. mortgage | c. a portion of the house price that must be paid in advance |
| _____ 4. foreclosure | d. the actual sum of money lent, which must be repaid along with other fees |
| _____ 5. interest | e. a percentage on the total amount of |

money borrowed, which must be paid back along with the original money borrowed

Think About It

1. The author implies that Americans think of home ownership as uniquely American. Do you agree? Why or why not?
2. What are the attitudes or policies about home ownership in your own country?
3. Think about the advantages and disadvantages of owning your own home. Why would you like to have your own home? Why wouldn't you? Fill in the table below, and then, based on your reasons. Try to convince a partner why you would (or wouldn't) want a house.

Before You Read

In this reading, the author discusses a common event in many Americans' lives – selling their homes and moving.

Before you read, think about the following questions:

- Have you or your family ever moved to a new home? What was the experience like?
- What is the difference between a "house" and a "home"?

About the Author

Andy Rooney began his writing career as a correspondent for *The Stars and Stripes*, a military newspaper, during World War II. He has since written for television and many newspapers. He is currently well known for his short, humorous weekly contribution to the television news program *Sixty Minutes*.

Home

by Andy Rooney

One Saturday night we were sitting around our somewhat shopworn living room with some old friends when one of them started trying to remember how long we'd lived there.

"Since 1952," I said. "We paid off the mortgage eight years ago."

"If you don't have a mortgage," he said, "the house isn't worth as much as if you did have one."

Being in no way clever with money except when it comes to spending it, this irritated me.

"To whom is it not worth as much," I asked him in a voice that was louder than necessary for him to hear what I was saying. "Not to me, and I'm the

one who lives here. As a matter of fact, I like it about fifty percent more than I did when the bank owned part of it."

"What did you pay for it?" he asked.

"We paid \$29,500 in 1952."

My friend nodded knowingly and thought a minute.

"I'll bet you," he said, "that you could get \$85,000 for it today... you ought to ask \$95,000."

I don't know why this is such a popular topic of conversation these days, but if any real estate dealers are reading this, I'll give them some money-saving advice. Don't waste any stamps on me with your offers to buy. You can take me off your mailing list.

Our house is not an investment. It is not a hastily erected shelter in which to spend the night before we rise in the morning to forge on farther west to locate in another campsite at dusk. Our house is our home. We live there. It is an anchor. It is the place we go to when we don't feel like going anywhere.

We do not plan to move.

The last census indicated that forty million Americans move every year. One out of every five packs up his things and goes to live somewhere else.

Where is everyone moving to? Why are they moving there? Is it really better someplace else?

If people want a better house, why don't they fix one they have?

If the boss says they're being transferred and have to move, why don't they get another job? Jobs are easier to come by than a home. I can't imagine giving up my home because my job was moving.

I have put up twenty-nine Christmas trees in the bay window of the living room, each a little too tall. There are scars on the ceiling to prove it.

Behind the curtain of the window nearest my wife's desk, there is a vertical strip of wall four inches wide that has missed the last four coats of paint so that the little pencil marks with dates opposite them would not be obliterated. If we moved, someone would certainly paint that patch and how would we ever know again how tall the twins were when they were four?

My son Brian has finished college and is working and no longer lives at home, but his marbles are in the bottom drawer of his dresser if he ever wants them.

There's always been talk of moving. As many as ten times a year we talk about it. The talk was usually brought on by a leaky faucet, some peeling paint, or a neighbor we didn't like.

When you own a house you learn to live with its imperfections. You accommodate yourself to them and, like your own shortcomings, you find ways to ignore them.

Our house provides me with a simple pleasure every time I come home to it. I am welcomed by familiar things when I enter, and I'm warmed by some ambience which may merely be dust, but it is our dust and I like it. There are reverberations of the past everywhere, but it is not a sad place, because all the things left undone hold great hope for its future.

The talk of moving came up at dinner one night ten years ago. Brian was only half listening, but at one point he looked up from his plate, gazed around the room and asked idly, "Why would we want to move away from home?"

When anyone asks me how much I think our house is worth, I just smile. They couldn't buy what that house means to me for all the money in both local banks.

The house is not for sale.

Check Your Comprehension

1. What is the author's definition of "home"?
2. Why does he say that he does not want to move?
3. What is the significance of the "little pencil marks with dates"?

Vocabulary: Two-Word Verbs

Choose the correct verb phrase for each of the sentences below. You may have to change the form of the verb (add -s, -ed, etc.). Note that the verb and the preposition may be separated in some sentences.

pay of pay for take off put up bring on
give up come up move away pack up come by

1. I need to _____ my debts _____ before I buy a new house.
2. If you move out of your house, you should _____ your name _____ the mailbox.
3. Before leaving, he _____ his belongings.
4. Beatrice _____ her new furniture with a credit card.
5. In general, you should not _____ your old apartment before you find a new one.
6. We couldn't afford to move, so we _____ with some new ideas for re-decorating our house.
7. My father always _____ the holiday decorations _____ every December.
8. My daughter was sad when we had to _____ from our old house.

9. You don't _____ a good house every day – you should buy that one immediately!
10. I don't know what _____ his anger _____. Maybe he's tired of his noisy neighbors.

Think About It

1. The author claims that new jobs are easier to get than new homes. Do you agree?
2. What effect do you think high mobility has on a culture or community?
3. Does your first language have different words for *house* and *home*? Write a paragraph explaining the difference between these two words.
4. There are five classified advertisements for houses for sale. Try to determine what the abbreviations in the ads mean by choosing the correct house(s) for each of the ten questions.
 - a. AMESBURY, Prestigious Highlands area lovely 3 BR Col., new fully appl. kit., new electric, hdwd. flrs., deck, nat'l woodwork, full bsmt., built-in hutch in DR. \$175K.
 - b. CONCORD, Lovely 10 rm., 5 BR, 2½ bath Garr. Col. on cul-de-sac w/2.8 acres, slate foyer opens up to lg. LR w/frpl., library/study. DR & lg FR. \$495K.
 - c. HAVERHILL, Quality Condex, priv. fenced yard, pressure treated deck, lg. kit., abundant cbnt. space, 1½ baths, 2 BRs, bsmt, \$89, 500.
 - d. d)READING, Surrounded by flowering shrubs & trees this lovely mint cond. home has 4 BRs, 2 baths, formal DR, sunrm. & very priv. pool area. \$319,900.
 - e. e)WAKEFIELD, Well maintained Col. in great loc. Dynamite kit., frpl. LR, hdwd. flrs., 2 car gar., central air & ingr. pool. \$189,900.

	a.	b.	c.	d.	e.
1. Which house is the cheapest?	___	___	___	___	___
2. Which house is the most expensive?	___	___	___	___	___
3. Which house(s) has (have) wood floors?	___	___	___	___	___
4. Which house(s) has (have) a fireplace?	___	___	___	___	___
5. Which house has the most bedrooms?	___	___	___	___	___
6. Which house(s) is (are) in the Colonial style of architecture?	___	___	___	___	___

7. Which house(s) has (have) a sunroom? — — — — —
8. Which house(s) has (have) a formal dining room? — — — — —
9. Which house(s) has (have) a two-car garage? — — — — —
10. Which house(s) has (have) a lot of cabinet space? — — — — —

Synthesis

Discussion and Debate

1. Some people might claim that Americans are too "status" conscious; that is, money and possessions are too important to them. Do you agree? Why or why not? Do you think only Americans are too concerned with money?
2. Although Americans have a reputation for being materialistic, there is also a tradition in the United States of charity, or donating money or possessions to people who need it. (In 1987, \$93.7 billion was donated to charity. This is the equivalent of \$375 for every man, woman, and child in the country.) Does this statistic surprise you? How can the qualities of materialism and charity co-exist? Does your own culture have the same tradition of charity?
3. There are two very different ways of handling money: one is to spend it when you get it; the other is to save as much as you can. Do you deal with money in one of these ways? Is one way better than the other? What kind of attitude lies behind each?
4. Think of an additional question to ask your classmates about something in this chapter. (Ask for their ideas or opinions rather than specific information from the reading.)

Writing Topics

1. Does this chapter present any ideas or opinions with which you strongly agree or disagree? Write a paragraph about that idea.
2. Write a letter to a friend in your home city describing the home and possessions of an American you have met. (If you have not met any Americans yet, you can "invent" one to write about.)
3. Before visiting a new place, most people have certain beliefs about that place, perhaps from reading or from speaking to others about it. However, after they arrive, they may find a different situation from what they expected. Write a short essay explaining what you thought any country would be like before you ar-

rived. Then describe the things that were the same as you expected and the things that were different.

On Your Own

1. A primary way to motivate people to spend their money is through advertising. Look through some popular magazines or newspapers published in the United States, and find some advertisements for three different products. Examine the ads and determine to whom the advertisers are trying to appeal. Use the following questions to help you.

- Are there any people pictured in the ad? If so, what sort of people (young, old, single, couple, etc.)?
- Does the ad use a lot of writing? What kinds of words does it use to describe the product?
- What magazine did you find it in? Who reads that magazine?
- Do certain words appear in all the ads?
- Share your ads and ideas with your classmates.

2. Conduct a survey of Americans/ Germans, Italians etc./ about the following topics. Summarize your results in writing. Here are some questions you can use:

- How many times have you moved from one house to another in your lifetime?
- How old are you?
- How much money do you need to be "rich"?
- How many of the following items do you or your family own?
cars _____ (write number)
television sets _____
video cassette recorders _____
computers _____

3. Interview someone who has made a major purchase recently (for example, a house, a car, or a boat). Ask about his or her experience. How did the salesperson treat him or her, both before and after the purchase was made? How did it feel to spend so much money? Was it a happy or an unhappy experience.

CHAPTER V LEARNING TO LEAD

UNIT 1. FOCUSING ON QUALITY

The aim of leadership is to help others to achieve their personal best. This involves setting high but realistic performance goals for yourself and your staff, finding ways to improve operations and procedures, and striving for total quality in all areas.

Hint 1. Always strive to preach quality and practice improvement.

► APPLYING STANDARDS

Work closely with subordinates to set measurable quality standards that they can seek to achieve or exceed.

SETTING STANDARDS

Before you or your staff can achieve quality goals, you need to be very clear about your own expectations regarding how things should be done and the standards of performance that must be reached. Once you have defined these expectations you can communicate them clearly to staff, emphasizing your own commitment and the fact that achieving excellence is everyone's responsibility

Hint 2. Ensure that you involve all staff members in quality-improving programs.

RAISING STANDARDS

Maintaining and exceeding standards is an ongoing process involving everyone. Encourage staff to analyze problem areas and to work together to find solutions. Involve them in looking for ways to improve products, processes, and performance, and, if extra skills are needed, arrange the necessary training. This approach not only generates ideas and innovation, but creates an atmosphere of participation and increased motivation, which in turn results in raised quality standards.

Improving Standards of Quality

Target Standards	How to Achieve Quality
LEADERSHIP: Lead your team toward total quality by constantly improving every process and product.	<ul style="list-style-type: none">▪ Ensure that all staff drive toward continuous improvement on all aspects of performance.▪ Recognize and appreciate individuals and teams for the success of their efforts.
STRATEGY: Seek to uphold and develop the organization's vision, mission, values, and direction.	<ul style="list-style-type: none">▪ Determine all objectives with the aim of reaching the highest quality standards.▪ Communicate strategic aims clearly to everybody, and review and update them regularly.
PEOPLE: Ensure that staff are motivated, well-managed, and empowered to improve continuously.	<ul style="list-style-type: none">▪ Train all staff in the skills and capabilities they need to meet their quality targets.▪ Practice two-way communication, top-down and bottom-up, through all available media.
RESOURCES: Aim to use financial and other resources efficiently to achieve the organization's objectives.	<ul style="list-style-type: none">▪ Ensure money is managed efficiently and everyone understands what is happening financially and why.▪ Use the best technology available and consistently update it to state-of-the-art levels.
PROCESSES: Ensure that all vital processes, including management, are consistently highly effective.	<ul style="list-style-type: none">▪ Develop performance measures and feedback to maintain the improvement momentum.▪ Stimulate people to formulate innovative and creative ideas for improving processes.

UNIT 2. LEARNING FROM OTHERS

Every successful singer has a singing coach, and top singers often give master classes. The principle is just the same for leaders. You learn better leadership skills by being coached, and you develop those skills further by coaching others.

IMPROVING SKILLS

Leaders must continually assess their performance and look for ways to improve and extend their skills. A great deal can be learned by simply observing others whose behavior appears to get results. A mentor will provide informal guidance where needed, or you may choose a more formal avenue of learning, such as a training program.

Hint 3. Always be on the lookout for chances to learn valuable lessons.

Hint 4. Take a refresher course if you feel you need to brush up on rusty skills.

USING FORMAL TRAINING

Even leaders with years of on-the-job experience can benefit from some formal training from time to time. Outside training gives you an opportunity to get away from day-to-day activities, and provides a fresh perspective. Use training to keep abreast of current trends and to brush up on or acquire specific skills. Do not wait to be asked - assess your strengths and weaknesses and put yourself forward for courses that match your needs.

Leader gains an insight into how trends may affect the organization

WIDENING KNOWLEDGE

Take advantage of colleagues' expertise in specific areas to broaden your own skills. You can learn a great deal from people with an in-depth knowledge of their field.

COACHING OTHERS

Training others provides a valuable source of education in the skills needed to become an effective leader, such as communicating clearly, giving instructions, getting feedback, delegating, motivating, and developing people. Always ask for feedback from those you are coaching - they can provide useful insights into your own performance. Share your experience and expertise with other people to help you to clarify your own attitudes, beliefs, and priorities, and to analyze your own performance. Use any time spent coaching your staff to discover their needs, what motivates them, and how they respond to your leadership style. Develop skills in other people to enable you to delegate some of your tasks, leaving more time available for you to spend on activities that will improve your own skills as a leader.

Hint 5. Use coaching sessions to learn as well as teach.

Hint 6. Set an example to your staff by being trained yourself.

RAISING STANDARDS

Learn new skills, develop existing ones, and use your knowledge and experience to benefit colleagues. In this way, you will improve all-around performance.

Learn — Coach — Raise performance

UNIT 3. GAINING EXPERIENCE

Promotion to leadership positions used to depend on rising up the company hierarchy. Now, vital work is increasingly carried out by temporary teams working on specific projects, which provide ideal opportunities for learning leadership skills.

JOINING PROJECT TEAMS

Widen your knowledge and learn new skills by joining a project team. These are usually set up to work on new projects within an existing organization. Such teams can become permanent if the project takes off, and are independent of the vertical hierarchy. The longer the project lasts, the more likely it is that team membership and roles will change during the project's life. This means you can join a project in a subordinate position, but with the hope of finding a leadership role later. The larger the team, and the wider its responsibilities, the greater the chance to change roles or be promoted within the team. Gaining experience on projects led by other people is also an invaluable education in leading your own project.

Hint 7. Use projects as a way of learning more about other disciplines.

LEARNING SKILLS ON PROJECT TEAMS

Working on a project team can provide you with all the necessary experience to run your own team. Show your initiative and make the most of any opportunities that arise.

LEARNING FLEXIBILITY

The leadership of a project is often passed to different people at different stages. For example, it could move from the design department to the production staff to the marketing people, each passing on the baton in turn. This gives you the opportunity to learn crucial lessons in how to organize and collaborate with different functions and departments, from finance to sales, engineering to purchasing. Although the baton changes hands, everyone still works as part of a harmonious team at all times. The abilities to be flexible and to understand how other departments work are essential in leadership.

Hint 8. Make friends with people in different departments, and get to know how they operate.

BROADENING KNOWLEDGE

Use your experience in multidisciplinary project teams to broaden your general business skills. It is too easy to become and stay a specialist. The Japanese, for instance, believe that every manager should be a complete businessman or woman, able to lead any part of the business successfully. So a personnel head can move easily into sales, or a finance expert into marketing, (get to understand the principles of business and what part each component skill plays in achieving sales and profits. Broaden your knowledge by reading and by establishing and nurturing contacts in different departments — such efforts will pay great dividends later.

UNIT 4. MASTERING ROLES

Leadership is a multidimensional function, requiring knowledge and understanding of many organizational needs. As a leader, you must master the various roles that are required to handle different people and circumstances with skill and efficiency.

Think carefully about the best way to behave in every situation.

TAKING THE OVERVIEW

A leader's role differs materially from that of a manager. While a manager must focus on implementing specific tasks, the leader must act as a grandmaster, a strategist, directing the game as a whole, and organizing the players. All leaders have different talents, and may be stronger in some skills than in others. To be successful you must be able to fill a number of roles, using a range of skills and leadership styles according to the task, the situation, and the people involved.

Hint 9. Concentrate on getting things done, not on trying to show that you are the one in charge.

Hint 10. Think carefully about the best way to behave in every situation.

BEING AN ADMINISTRATOR

Administration is a key role of the leader, and nowadays there is much more to the role than simply "sailing a tight ship" on a predetermined course. The modern administrator is expected to be creative, devising processes and streamlining activities, not only to ensure the smooth-running of procedures, but also to increase efficiency. To get the best from your team, set aside time to organize systems that will minimize time-wasting and improve productivity. Look for ways to reduce paperwork — direct communication is usually more effective. Liaise with other departments to ensure that everyone knows what is expected of them, and keep an open team diary for instant checks on current tasks and deadlines.

QUESTIONS TO ASK YOURSELF

Do I communicate directly with my team and also with other departments?

Am I sure that every member of the team understands his or her role fully?

Am I setting sufficiently ambitious goals?

Do I have procedures in place that allow me to check on team progress instantly?

Am I constantly looking for new ways to improve efficiency and productivity?

COMPARING LEADERS AND MANAGERS

LEADERS:

Administer

Originate

Develop

Inspire trust

Think long term

Ask what and why

Watch the horizon

Challenge status quo

Are their own people

Do the right thing

MANAGERS:

Implement

Copy

Maintain

Control

Think short term

Ask how and when

Watch bottom line

Accept status quo

Are good soldiers

Do things right

BECOMING A STRATEGIST

As a leader you need to focus on the wider issues that may affect your team's effectiveness, as well as the day-to-day business of getting things done. With your team, plan what you want to achieve in a given time, and break this down into attainable goals and objectives, ensuring that everyone is aware of their responsibilities. Unexpected problems may require adjustments to elements of the plan, so always leave plenty of room for revision.

Hint 11. Keep a checklist of key leadership duties and ensure that you do them.

Hint 12. Always look beyond the detail and consider the bigger picture.

FULFILLING KEY ROLES

A leader must be a good communicator who cares for staff; an expert who is knowledgeable in his or her field; a strategist who looks to the future; an administrator who gets things done; and a proponent of change.

PROMOTING CHANGE

Change is vital for success in the future. By seeking to lead change, you are helping your organization to remain competitive and grow, and creating opportunities for individuals to enrich their careers and personal lives. Dare to be different - if everyone in your industry is stuck in the same pattern, search for changes that will be welcomed by customers and that will enable you to stand out. Encourage staff to generate ideas for change, and involve your team in the planning and implementation of change programs.

Hint 13. If you are resisting change, ask yourself why.

INSTIGATING CHANGE

To ensure minimum disruption, communicate every aspect of a change to those concerned as soon as possible. Stress the positive aspects of the change, and gain commitment from others through your own dedication to the project.

Communicate — Reassure — Stand firm

FOCUSING ON PEOPLE

The effective management of others is paramount to success. As a leader you must be, and be seen to be, a people person who has the best interests of staff, as well as the organization, at heart. Seek to develop a climate of openness in which people are not afraid to express their opinions and share their ideas with you. Constantly encourage them to adopt the values and behavior that help the team and the organization to reach its goals. Above all, ensure that your people get the training they need to achieve their maximum potential.

BEING AN EXPERT

As leader, you should possess an in-depth knowledge of your chosen field. Ensure that your staff have all the technical skills needed to enable them to perform effectively.

EVALUATING KEY LEADERSHIP ROLES

KEY ROLES

EXPERT Has in-depth understanding of his/her field.

ADMINISTRATOR Ensures the smooth running of operations.

PEOPLE PERSON Makes staff and their training a top priority.

STRATEGIST Thinks long term and looks to the future.

CHANGE AGENT Uses change as a key to progress and advancement.

HOW TO FULFILL THEM

Strive for the best possible performance, and increase your knowledge in your specific field.

Use your expertise to improve technical performance and technological strength in key areas.

Cut down on paperwork, and devise progressive systems to increase efficiency.

Set rules, systems, boundaries, and values in order to ensure effective control.

Believe and act on the principle that success flows from the effective management of others.

Seek to develop a climate of openness, and work with, and for, everybody equally.

Always ensure that you plan ahead, devising strategies and goals for future success.

Concentrate systematically on where the organization needs to go and how it will get there.

Be adventurous, and endeavor to focus on enterprise and initiative rather than control.

Seek to lead change, and actively encourage the generation of new ideas in others.

USING DIFFERENT STYLES

There are many different leadership styles, and to be truly effective in any given situation, you should not only be aware of them all, but be able to use elements of each simultaneously. For example, while managing and developing people, you still need to keep your eye on the strategic future at all times. If you are implementing a major change program, do not neglect your ad-

ministrative duties or you run the risk of being unable to implement the changes effectively

Hint 14. The greater your expertise, the more authority you will have.

UNIT 5. DEVELOPING STRENGTHS

All the attributes that you will require as a leader can be developed - even drive and energy. Self-confidence and self-determination, combined with an ability to manage people and money, will make you a strong leader able to attain your targets.

SETTING HIGH GOALS

You cannot hope to achieve without the self-confidence to take risks, which should be carefully calculated, on paper, to ensure that they are acceptable. This will enhance your ability to form high but realistic and achievable goals. Evaluation on paper helps put you in control of your own destiny, and will aid long-term vision of your own future and that of the business.

Hint 15. Always work on and build upon your own strengths.

Hint 16. Put all your ambitions down on paper to help you realize them.

ELIMINATING WEAKNESSES

Facing up to your own mistakes and weaknesses is the first step toward eliminating them and raising your leadership ability. You may need help from a mentor, as well as feedback from your people. List aspects of your people management that are unsatisfactory, and determine how to improve them. Ultimate success means getting others to work with you and for you productively

MASTERING FIGURES

Some leaders are uncomfortable with money. If this applies to you, make sure you take a course. No sensible employer will refuse to pay for this education. There is no substitute, though, for sitting down and working out the figures of a real business, and seeing in real life how reality is reflected and portrayed by the numbers.

Hint 17. Understand what you are doing in order to achieve your aims.

Hint 18. Never accept any weakness as one that you cannot correct and cure.

Building Personal Strengths

Strengths	How to Develop them
Drive AND ENERGY The ability to put maximum mental and physical effort behind reaching objectives and to keep going until the aims are achieved.	Keep physically fit. Join a gym or take up a competitive sport. Constantly work through lists of tasks and ensure their completion.
Self-CONFIDENCE A belief in your ability to carry out self-appointed	Learn to calculate and accept moderate risks. Review your work at frequent intervals, comparing

and other tasks to your satisfaction and that of colleagues.	plans with outcomes.
MONEY MANAGEMENT Knowing how to read balance sheets, draw up budgets and management accounts, and track paths to higher profits.	Acquire good training in financial basics – attend a course if necessary. Always work out financial consequences of plans and decisions in detail.
MANAGING PEOPLE Understanding how to get the best from your staff, and encouraging them to use their initiative to achieve better results.	Ask regularly for feedback from your superiors, peers, and subordinates. Learn to look at situations through other people's eyes.
GOAL-SETTING Knowing how to set targets that are high enough to stimulate exceptional effort, but are still within achievement range.	'Benchmark' organizations in your own and other industries to see where and what improvements can be made. List your goals and keep reassessing them.
Self-DETERMINATION The belief that your destiny and that of the business are in your hands, not subject to others or outside forces.	Form long-range aims for yourself and the organization. Put your aims down on paper, complete with plans for implementation.
Self-EVALUATION The ability to recognize and learn from mistakes and failures, while also analyzing the lessons of success.	Conduct regular, honest examinations of recent decisions and actions. If you discover any weaknesses, draw up plans for rectifying them.
COMPETITIVENESS The will to win, and to take defeat as a challenge, not a disaster, coupled with the pursuit of high personal standards.	Take every opportunity to study winners, corporate and individual. Adopt, adapt, and apply the techniques or qualities that make winners successful.

ASSESSING YOUR LEADERSHIP POTENTIAL

Evaluate how well you measure up as a prospective leader by responding to the following statements, and mark the options closest to your experience. If your answer is "never," mark Option 1; if it is "always," mark Option 4; and so on. Add your scores together, and refer to the Analysis to see how well you fared. Use your answers to identify the areas that most need improvement.

OPTIONS

1. Never
2. Occasionally
3. Frequently
4. Always

1. I take the lead in meetings to clarify objectives and agendas
2. I focus strongly on achieving results from the tasks I undertake.
3. I propose original ideas for discussion in meetings.
4. I make friends easily and have many useful outside contacts.
5. I find and tell the objective truth, even if people don't like to hear it.
6. I maintain friendly relations with everyone on the team.
7. My ability makes me want to take charge.
8. I find it easy to express genuine, close friendship.

9. I can work easily with all types of people.
10. I take advice impartially from above, below, and from equals.
11. I like people to express genuine, close friendship with me.
12. I take time out each week to recharge my mental batteries

ANALYSIS

Now that you have completed the self-assessment, add up your total score, and check your ability by reading the corresponding evaluation. However great your potential as a leader may be, remember that there is always room for improvement. Identify your weakest areas, and refer to the relevant sections in this book, where you will find practical advice and tips to help you understand what it takes to lead others and improve your leadership skills.

12—24: You are potentially competent, but you need to do a lot of work before you can excel in a leadership role.

25-36: Although you have the makings of a good leader, some areas still need to be improved. Identify and work on them.

37-48: Your leadership promise is high, but do not become complacent. Strive to realize it

CHAPTER VI

UNIT I. LEADING OTHERS

How well you lead others is the prime factor in your team's success. To be an effective leader, you must facilitate, inspire, and implement, rather than control.

PREPARING TO LEAD

Leading others is a stimulating challenge for any leader. Get to know the people who are working for you, establish a framework in which everyone can operate comfortably, and set challenging goals that will motivate and inspire.

***Hint 19.** Take time to get your bearings in a new job - but do not take too long.*

QUESTIONS TO ASK YOURSELF

What are we trying to achieve?

In what ways are we trying to achieve it?

What major issues do we face?

What do others think of the organization -good and bad?

Are we properly organized to achieve what we want in the way we want?

GATHERING INFORMATION

Your first priority as a leader, especially if you happen to be taking over a new situation, is to find out what you have, in terms of people, policies, problems, and opportunities. An excellent approach is to go around either all the people, or (in a larger organization) the key ones, and find out their views by asking questions. Discover what they think about the organization and what they are trying to achieve. Not only will you learn a great deal about your new responsibility but the response to your questions will also teach you a great deal about the people concerned.

ESTABLISHING A FRAMEWORK

Every leader must think about the framework in which the leader and the led can operate effectively and comfortably, both as individuals and as part of a team. Ensure that there are systems in place that enable good, open communication between you and your staff. Be clear about the roles of each team member, and make sure that everyone is aware of their responsibilities.

Do's and Don'ts

Do use all means to communicate with your staff.

Do strive to regard your associates as competent people.

Do try to create a positive atmosphere, free from rigidity.

Do show your staff loyalty and support.

Do set challenging, ambitious goals.

Don't ask people to do things that you wouldn't do yourself.

Don't forget that trust is a two-way process that can take time and effort to establish.

Don't take sides or show any favoritism.

Don't dissuade staff from speaking out.

Don't be vague about team members' roles.

Hint 20. Actively seek the views of your team members.

ESTABLISHING OBJECTIVES

A leader must always be aware of the ultimate goals of the organization, and know how their own objectives fit in with them. Once these goals have been established, you must ensure that your team understands the direction in which they are heading and why, and the purpose of their own activities within the overall plan. The ultimate objective should be broken down into attainable, yet challenging goals that ideally will be inspiring and motivating for the whole team. Aims should also relate directly to the specific skills of each individual within the team. Working together toward a shared goal gives people a sense of ownership and responsibility and builds an atmosphere of team spirit.

TALKING TO STAFF

The leader should talk to colleagues personally in order to discover their views. This results in useful feedback that will help the team to work more effectively.

UNIT 1. FORMING THE BEST TEAM

Establishing a team or appointing new team members is the responsibility of the leader. Find the best candidates to form a balanced and dynamic team, either through internal promotion or external recruitment, and help them to feel part of the team.

Hint 21. Avoid appointing a candidate simply because you are short-staffed.

Hint 22. When recruiting team members, look for their growth potential.

FINDING CANDIDATES

Cast the widest possible net, and spend as much time as needed on the selection process. Draw up a list of criteria, essential characteristics, and skills that the appointee must have. Make sure that the criteria are relevant. A common mistake is to insist on "industry experience", when research shows that it bears little relationship to success in the job. Candidates who fulfill all your criteria will be rare, so be prepared to be flexible at the selection stage.

RECRUITING STAFF

There are many channels for recruiting people, and all of them should be explored. However, personal contacts are most likely to succeed.

PROMOTING INSIDERS

Internal promotion is not only cheaper, but tells everybody that they have the opportunity to rise, which is the most satisfying form of reward. Leaders should constantly be on the lookout for abilities that can be exploited in higher-level teams. When recruiting internally, give consideration to the morale of other staff, who that they have been passed over. Explain clearly to all concerned why the person that you is selected right for this assignment, and emphasize that there will be other opportunities. Then allow your candidate to prove you right.

BALANCING SKILLS

For any team to function effectively, there must be a balance of technical, problem-solving, decision-making, and interpersonal skills among its members. The ideal group will

Be creative yet disciplined, able to generate new ideas and find solutions.

To difficulties, and at the same time.

Organized enough to plan and implement a task nithin a given period.

UNIT 2. MAKING AN INTERNAL APPOINTMENT

Hint 32. *When a referee has reservations, always probe more deeply.*

Hint 24. *Take into account the feelings of staff when promoting internally.*

CONDUCTING INTERVIEWS

Allow 45 minutes for an interview, preferably with one colleague, or at most, two, joining in. Keep your own talking to a minimum. You want the candidate to say as much as possible about their understanding of the job, your company, their past performance. What did they do best? You are interested in their strengths first, weaknesses second. Observe them carefully, taking into account body language and appearance.

Hint 25. *Ask candidates what they did really well in their previous jobs.*

Hint 26. *Ensure there are no interruptions during interviews.*

JUDGING SUITABILITY

Psychometric tests and handwriting analysis (graphology) are sometimes used to evaluate candidates' suitability. But these methods are no substitute for personal judgment, reinforced by the person's track record and references, and by any appropriate skill tests. Conflicts and rivalry within groups are counterproductive, so avoid candidates who display a degree of personal assertiveness that may fracture the team spirit.

ASSESSING A CANDIDATE

Observe the candidate carefully. Keep your checklist of attributes and skills in front of you, and make sure that you address them all. Above all, do not ignore your intuition or your personal reaction - it is very important that you actually like the candidate. Ask yourself whether the candidate seems "nice" and if he or she will fit in.

LEARNING FROM RECRUITS

A leader can learn a great deal from new recruits by exploiting their knowledge of other organizations, methods, or ideas. They have the advantage of an outsider's eye, before being assimilated into your company's ways. Make time for conversations with recruits, asking them for their first impressions. Acting on their suggestions is an important way of promoting their confidence.

Hint 27. *See that new recruits are welcomed and fully supported*

QUESTIONS TO ASK YOURSELF

What did I do wrong - did I recruit poorly?

Did the person lack the necessary support?

Have circumstances changed so that the person no longer fits the original job?

Is there another job in which they could succeed?

HANDLING MISFITS

Recruitment failures will inevitably occur, however much care has been taken. Whenever you contemplate dismissing somebody, always ask yourself "why has this happened? » Learn from your analysis, and if the person can be "saved" by making changes, make them. If not, do not allow the person to slay alter you have, consciously or subconsciously, decided against it. Explain your reasons fully to the individual, and be as generous as possible in negotiating severance. Also, ensure that coworkers know what has happened and why.

UNIT 3. EXERCISING AUTHORITY

The role of a leader is to ensure that everyone understands instructions and carries them out effectively. Since it is rare for everything to go according to plan, put into place reporting systems that enable you to deal with any deviations swiftly.

Hint 28. Make sure that any instructions you give are clear and concise.

Hint 29. Encourage people to approach you if things go wrong.

Hint 30. Act quickly when you learn of any real problems.

GIVING INSTRUCTIONS

The method of giving instructions matters far less than the quality of their content. If a decision has been reached in concert with the team, the leader has no need to win acceptance. But having to said "This is an order" is a sign of malfunction on one side or the other. Before you issue instructions, be absolutely clear in your own mind what your requirements are. This will be reflected in your tone of voice and body language and will reinforce your message. Ask people if they have any reservations about what you have asked of them, so that problems can be cleared up at the outset.

MANAGING BY EXCEPTION

Leaders often spend too much time double-checking everything to ensure conformance with instructions and procedures. The better approach is to manage by exception, which involves concentrating on what is going awry rather than what is not. You should not expect to hear about actions that proceed as planned, but staff or delegates should inform you immediately if there is a serious deviation from the plan. For example, if a sales executive is asked to handle key accounts, and sales targets or profit margins are being missed, he or she must report the problem to you at once.

CONSISTENT

Being since leadership is about getting other people to do what you want, it is essential to maintain the cooperation and respect of your staff. Be consistent in the way you exercise authority, so that people can trust you and know that you mean what you say. This avoids ambiguity, and the danger of feeling or resentment developing is reduced. Being consistent does not mean being overindulgent toward staff as long as you are always honest, direct, and fair in your dealings with other

people, vilify will respond positively to your authority, even under difficult or stressful circumstances.

Hint 31. Insist that staff tell you all the news, good or bad.

Hint 32. Use crises as an opportunity to develop people.

► ORGANIZING CONTROLS

By putting into place a new reporting system, the leader ensures that, in future, he will be aware of any production problems before they affect sales.

UNIT 4. DELEGATING TASKS

As leader, you should concentrate your time on activities that nobody else can do. Delegation is a form of time management. It is a way of exercising control and meeting your own responsibilities more effectively, while developing the skills of your staff.

Hint 33. Remember that delegation boosts morale and builds confidence.

Hint 34. Never keep work simply because you do it better.

Hint 35. Set high targets in agreement with your delegates.

INCREASING YOUR TIME

Managers often claim that the demands of operational and routine duties leave them little time to concentrate on important, long-term matters, such as strategic planning and training. To create more time for yourself, it is essential to hand down more routine tasks by delegation. Even if you, the leader, are better and faster at a task than anybody else in the team, the golden rule is that you should not, and cannot, do everything yourself. Leadership involves handing over the task to others, and then helping them to match or exceed your standards.

BRIEFING DELEGATES

Give the delegate a clear, written brief, developed in consultation, that sets out the objectives, the resources available, the constraints, and the time schedule, if relevant. Supplement the written brief with an interview to ensure mutual understanding. If the circumstances change, alter the brief to suit - do not stick to it slavishly.

EXPLAINING THE BRIEF

Make sure that the delegate fully understands the assignment by asking relevant questions at a face-to-face meeting.

Invite the delegate to do the same.

SUPERVISING EFFECTIVELY

Allow the delegate to develop and execute his or her plans, subject only to keeping you fully informed. Constant interference, countermanding deci-

sions and actions taken by the delegate, and checking up continually all add up to poor leadership. By intervening heavily, you will also frustrate the delegate and deny him or her the chance to learn new skills and gain experience. Monitor the progress of the work with a system of written reports and face-to-face meetings with the delegate, and by observing performance.

REINFORCING A DELEGATE'S ROLE

Always introduce a new delegate to existing team members, as this will help him or her to feel part of the team. It is also important to inform any customers or suppliers who need to know what specific responsibilities the new delegate will have.

Hint 36. If time pressure increases, ask if you are delegating enough to others.

Hint 37. Check regularly and informally on progress of delegated tasks.

RETAINING TASKS

There are some responsibilities that a leader cannot delegate. These include key areas, such as controlling overall performance, meeting strategic objectives, and confidential human resources matters - how people are rewarded, appraised, promoted, informed, disciplined, coached, and counseled. You may also need to supervise dealings with important customers if delegating ultimate responsibility for these contacts would endanger the relationship.

POINTS TO REMEMBER

- New opportunities to delegate should always be sought.
- Interference should be avoided unless absolutely necessary.
- Staff training should be given priority to ensure that effective skills are developed for future delegation plans.
- Possessive feelings about work are negative and unproductive.
- Delegation involves the loss of direct control but the retention of overall responsibility.
- Responsibility for an entire task should be given to one employee whenever possible.

UNIT 5. KEEPING KEY TASKS

As a leader, you must keep charge of sensitive matters, such as applying discipline and making appointments, and retain control of important areas, including finance and strategy.

PROVIDING SUPPORT

An open-door policy aids effective delegation. The delegate should be able to approach the delegator at any time for advice, information, or revision. The delegator should also be able to approach the delegate, whenever necessary, for an informal, encouraging discussion on how the task is going. If the delegator visits too often, either this is bad delegation, or the delegation is going badly. If delegates come through the door too often, they are ei-

ther insecure or inadequate. If you are confident in their ability, give them a clear message: "I am confident that you can manage."

Hint 38. *Keep an open door for all your delegates.*

Hint 39. *Intervene fast when the delegate cannot cope.*

CHECKING PROGRESS WITH DELEGATES

When discussing progress with delegates, use positive questions, such as those below, that will encourage delegates to suggest their own solutions to problems. Avoid questions that may discourage or demoralize the delegate.

"Is there anything you want to bring to my notice?"

"We failed to meet that target. Any suggestions as to how that might have happened?"

"I see that costs are overrunning. What steps are you taking to bring them back in line?"

"How do you think we can avoid making this mistake again?"

Hint 40. *Make sure that everybody knows what must always be left to you.*

DEVELOPING DELEGATES

Look out for signs that the delegate is taking too much on his or her own shoulders, and not allowing people who work for them to show initiative and tackle their own tasks without interference. "Getting out of the way" is the key to getting the best from others, and applies to the delegate too. Encourage delegates to think issues through and come up with answers to problems before bringing them to you. The most important lesson for the delegate is that of being accountable for results, with no opportunity for excuses.

ENCOURAGING SOLUTIONS

Being a good delegator, the leader in this case did not want his people to become dependent on him and his decisions. So he forced them to make up their own minds. The boss was still prepared to discuss the issue, but his insistence helped this subordinate to be a real leader.

COMMUNICATING CLEARLY

The ability to communicate with staff is essential in leadership. To ensure that messages are received and understood all the way down, flatten the hierarchy of your team structure. To keep communication two-way, invite feedback from your staff.

Hint 41. *Talk honestly with your staff and you will get honest answers in return.*

Hint 42. *Take steps to get accurate reports of team opinions.*

COMMUNICATING DIRECTLY

The leader at the apex of the hierarchy passes down information and instructions, level by level, throughout the team. The trouble with this top-down management style is that you cannot always be sure that your message has gone through, or how it has been received, since there is little feedback from the lower levels. Wherever possible, deliver your message in person to ensure that it has been clearly understood by the recipient.

FLATTENING THE HIERARCHY

You need only three levels of hierarchy and/or types of staff. Leaders work in concert with managers, while staff take charge of their own output. All three levels are assisted by experts, such as information technology specialists.

COMMUNICATING ON ALL LEVELS

To ensure that the right message has been received and the right action taken, the top-down process needs to be checked by bottom-up communication. Spend as much time as possible with all levels of staff, and make it clear that you appreciate feedback and are willing to listen and respond. Remember that excellent ideas can come from anywhere, and are not just confined to leaders. Make use of the fact that other people know their own area of work, and can make an invaluable contribution to related issues.

***Hint 43.** If all feedback is positive, you may not have been told the whole truth.*

***Hint 44.** Be prepared for misunderstanding of what you are trying to achieve.*

A INVERTING THE PYRAMID

Some leaders mentally balance the pyramid on its point to reverse the direction of the flow of information. Customers and their need are put on top, followed by the employees, then the managers

LISTENING TO STAFF

Encourage people to be open and honest with you by showing that you value their opinions and are willing to listen to them. The best way to do this is through informal conversations, either one on-one or with groups of staff. Make it clear that even negative feedback is viewed as a positive opportunity for improvement. You must ensure that staff are not intimidated by fear of any repercussions when they express criticisms. Do not always wait for staff to come to you - solicit feedback from them by asking for their comments on issues that affect them. If you want to gain a broad picture of staff attitudes, you will have to use a more formal approach. Many techniques are available, such as surveys, sample polling, suggestion boxes, or focus groups.

UNIT 6. DYNAMIZING GROUPS

To dynamize a group, you must give it strong purpose, strong membership, and strong leadership. Use "hot groups" for special operations, choosing the ablest and most motivated candidates for the group. Encourage innovation and creativity.

IMPARTING PURPOSE

A group of people striving toward a common goal should be highly motivated, with a strong sense of excitement and anticipation. The way that you, as leader, convey the purpose of the task to your group can help to instill this positive attitude. Emphasize the fact that the group has been put together for a specific purpose, and that the particular skills of each individual member are fundamental to the success of the project. This helps people to identify with the organization's goals, and empowers them to use their creativity

ROUSING THE TROOPS

Talking to a group as a unit provides an essential test of leadership quality. Be positive and enthusiastic — your energy will inspire confidence and encourage your group to follow your example. While it is important to put across your personality, policies, and objectives, you should also reinforce group identity by providing plenty of opportunities for discussion and debate. Be firm about your expectations, but remember that enjoyment is a key motivator.

STAYING FOCUSED

Hold regular meetings to inform everyone of what has been achieved and how much more needs to be done. Use these times to reinforce motivation and purpose.

Hint 45. Encourage groups to achieve by setting high but realistic targets.

FORMING HOT GROUPS

Nothing is more exciting in management than leading a "hot group," a team assembled for a special operation, such as a new product launch.

Success requires finding the ablest people and placing them under highly motivated, effective leadership (which encourages sub-leadership). The group continues to recruit talent as a key activity, concentrating on people who are right for each job. A leader can share a powerful vision, it helps to detach the group from all other operations, and to focus change on a chosen rival: "the enemy."