

7.1 About business Investing responsibly

Discussion

1 Work with a partner. You are considering making a large investment in company stocks and shares. Which of the following criteria are important in your decision-making? Why?

- maximizing financial returns regardless of other factors such as industry sector
- promoting sustainability by limiting damage to the environment
- making money by helping poorer people in developing countries
- enhancing good practice by investing in socially responsible companies

Reading

2 Read *Student Funds Get Responsible* and mark the following sentences *T* (true) or *F* (false). Rewrite the false sentences to make them true.

- Socially responsible investment funds are becoming increasingly popular among business students.
- Like other socially responsible investment funds, the Haas fund avoids industries such as tobacco, firearms and alcohol.
- The philosophy behind the Haas fund was formulated by graduates, including MBA and Engineering students.
- Students learn how to invest responsibly before actually investing in the Haas fund.
- The main aim of the Microlumbia fund is to make investments of about \$25,000 in small enterprises to maximize returns for the investors.

3 Which one of the following most closely expresses the overall topic and content of the article?

- an argument for the importance of adopting social responsibility when investing
- an overview of recent developments in socially responsible investment funds at American universities
- a story of the power of students to positively impact on the world through socially responsible investment funds
- an analysis of the financial effectiveness of various socially responsible university investment funds

4 Write a description in one sentence summarizing socially responsible university investment funds.

Focus on evaluation

5 Which two of the following extracts express an evaluation or opinion? Which particular words indicate this?

Student-run investment funds at business schools typically have had one goal (lines 1–3)

It is definitely a new concept for business-school students to be doing this (lines 29–30)

This is obviously a real-life example of putting your money where your mouth is (lines 31–34)

Find four further examples of evaluation or opinion in the second half of the text.

Collocations

6 Find all the examples of phrases containing *social* / *socially* in the text. What are the typical collocations? Write a short explanation or definition of each phrase.

Vocabulary

7 Work with a partner. Explain these idioms and expressions from the text.

- gaining steam (line 9)
- a flurry of new electives (line 15)
- students are clamouring to apply their new knowledge in this field (lines 23–25)
- putting your money where your mouth is (lines 32–33)
- they both lamented the way most socially responsible funds are run (lines 43–45)
- put our stake in the ground (line 72)
- make a dent in global poverty (line 80)

Internet research

Search for the keywords *our social investment types* and make a list of the most common types. What are the characteristics associated with each type?



Discussion

■ Work in small groups. You are a team of students with responsibility for setting up and administering your university's new \$1m socially responsible investment fund. Decide on the details of the fund, based on the following criteria.

- what the fund's purpose is, and how to express it in a mission statement
- how to raise money to add to the fund
- how and where to invest the fund, together with your long-term investment objectives
- what precautions, if any, you would put in place to prevent the fund being sabotaged by wrong-headed investors in future years
- how to promote and market the fund
- how to select the most appropriate recipients for the money
- where you expect the fund to stand in 10 years, both financially and with regard to what it will have achieved in terms of social benefits
- how to ensure the recipients spend the money wisely

Present your investment plan to the rest of the group.

STUDENT FUNDS GET RESPONSIBLE

A new breed of student-run investment funds looks for social returns along with dividends

BY ALISON DARRAST

STUDENT-RUN investment funds at business schools typically have had one goal: to teach students how to make money. Now a new generation of business-school students is giving that old-fashioned model a face-lift, aligning their investments with socially responsible business practices. It's a movement that's quickly gaining steam. Students and faculty at Columbia Business School and the University of California, Berkeley's Haas School of Business recently launched funds directed solely toward socially responsible investing. The funds are an extension of a flurry of new electives, specialized research institutes, student clubs and internships focused on social and environmental issues.

This new breed of student-run funds has taken a variety of forms, from funds that invest in mainstream index funds to nonprofit arrangements aimed at helping 'micro' entrepreneurs. Students are clamoring to apply their new knowledge in this field to the financial markets, says Rich Leimsider, director of the Center for Business Education in New York, part of the nonprofit Aspen Institute. 'It is definitely a new concept for business-school students to be doing this,' Leimsider says. 'This is obviously a real-life example of putting your money where your mouth is.'

Among the most high-profile of these funds is the Haas Socially Responsible Investment Fund, launched with a gift from Haas alumnus Charlie Michaels. The fund will be managed by four MBA students and two masters in financial engineering students. The idea emerged from a discussion between Michaels

and Haas professor Kellie McElhane in which they both lamented the way most socially responsible investment funds are run. Typically, these funds screen out entire industries such as tobacco, alcohol or firearms from their investment portfolios, a move that can have a significant impact on returns and could eliminate some companies that integrate socially responsible activities into their operations, said McElhane, a professor of corporate responsibility and the director of the Center for Responsible Business. Michaels and McElhane decided to create a fund that would not impose those blanket restrictions on categories, but rather encourage students to make more significant investments in companies closely aligned with the philosophy of the fund.

Most of the students running the fund were required to take a class in socially responsible investment techniques, offered by the school for the first time this semester. They spent the past few months developing their investment criteria and plan to evaluate firms on their social, environmental and financial performance. They then expect to start investing in companies. 'For us, it is an opportunity to put our stake in the ground and prove that social investing can be a big part of a business-school curriculum,' says Michael Pearce, a second-year Haas student. 'It's one thing to read about it in class or learn about it in a club, but it's another thing to see if it actually works out in practice.'

At Columbia, students are hoping to make a dent in global poverty by creating a nonprofit investment fund dubbed the Microlumbia Fund. The

students will make two to three low-interest 'micro' loans a year to small, entry-level microfinance programs or banks in developing areas. These groups will then assist would-be small business owners in their communities. The idea developed last year, when a group of first-year students took a class in social entrepreneurship. Katharine Leonberger, a second-year student and co-founder of the group, says 'it's not huge money, but even giving a loan of \$25,000 to such a small institution can make a big difference.'

The group will closely track its investments, sending a team of four to five students to third-world countries each year to work with microfinance institutions and entrepreneurs.

Raymond Fisman, a faculty adviser to the group, applauds the approach. He hopes the lessons students learn from running Microlumbia will extend beyond their years as business-school students. 'It's not like the primary function of a university should be to fund small-scale enterprise,' Fisman says. 'The primary goal should be to help our students understand how, when they go out into the world, they can do these things themselves.'

Student-run investment funds have been around since at least 1952, says Edward Lawrence, a professor of finance at the University of Missouri-St. Louis College of Business. There are now about 200 in the world, approximately 190 of which are in North America. Socially responsible investment funds at universities are a relatively new phenomenon, Lawrence says. Although the first one was launched at Bluffton University in Ohio in 1956, most have been launched in the past few years, he says. Several schools are currently launching funds, though, given the resources required, only the largest schools are likely to create such funds. 'Business students have become more socially oriented, and they realize that it is not just about making money,' Lawrence says. 'It's about having an impact in a positive way in the rest of the world.'

Did you know?

There are many ways of adding emphasis in English. These include changing word order, inversion, putting important information at the front of the sentence, adding extra words, and emphasizing by pronunciation and word stress.

7.2 Grammar Inversion and emphasis**Inverted conditionals**

- 1** Complete each inverted conditional sentence using *should*, *had* or *were*.
- _____ the conditions not be met by the end of May, the submission will be rejected.
 - The United States would seek adoption of a resolution that could be enforced by sanctions* _____ they to fail to comply with it.
 - _____ any country withdraw from an agreement consisting of at least three countries, then all the remaining signatories will respond with sanctions.
 - _____ the organization done that, at least they would have entered the debate prepared for what was to follow.
 - _____ it not for historical reasons, we would use the term 'protectionism' rather than 'strategic defence'.
 - The sub-group will consider whether there was material within the representation which, _____ it been made available to the team beforehand, would have altered their bargaining position.

Emphatic structures

- 2** The following sentences all contain mistakes. Rewrite each to make them correct.

Example: Who we made chief researcher was Alice Clay.

The person we made chief researcher was Alice Clay.

- What do I want to focus on today is the importance of evaluating risk.
- It is short-termism why many investors fail.
- Scarcely she had made her investment when the global markets crashed.
- Such a charismatic person was he that he inspired absolute loyalty in his team.
- May have you the best of luck when you're out there – you'll need it!
- Only by focusing closely on risk he was able to avoid huge losses.
- Were the markets really take off, we'll be set to make major gains.
- Not only you failed to make any gains, but you also lost nearly all our money.
- Why do I disagree with you is that you ignore fundamentals.
- On no account we must give in to their demands.

Internet research

Search for the keywords *intellectual investment* to find an example of an organization that have made an investment in this area. Present your findings to the class.

Reformulating for emphasis

1 Rewrite the sentences to make them more emphatic, beginning with each given phrase.

Example: This bank was actually founded in Edinburgh.

(The place ... / Edinburgh ... / Where ...)

The place where this bank was actually founded is Edinburgh.

Edinburgh is the place where this bank was actually founded.

Where this bank was actually founded is Edinburgh.

- 1 We need action rather than words.
(Words ... / Action ... / What ...)
- 2 I'm here today because I want to discuss my promotion prospects.
(The reason why ... / What I ... / My promotion prospects ...)
- 3 The most important market for raw commodities is undoubtedly China.
(No market ... / Without doubt ... / China is ...)
- 4 Your attention to detail impresses me more than any other quality.
(What ... / The quality ... / I am more ...)
- 5 First of all I want you only to listen.
(All ... / The only ... / Just listen – that's ...)

Emphatic words

2 Fill in the spaces in the Managing Director's speech below to add emphasis. Two of the words are not needed.

utter such indeed scarcely rather only absolutely whatsoever do regrettably

I am (1) _____ delighted to be able to report to you today that our flagship investment fund has been a very great success (2) _____. There is little doubt in my mind that this is down to the (3) _____ brilliance of the strategy director, Ms Catherine King, who has been (4) _____ an outstanding leader. I have no doubt (5) _____ that the fund will go from strength to strength. (6) _____, though, I (7) _____ have one (8) _____ sad announcement to make. Her deputy, John Seal, has received an offer from another company and will be leaving us next month.

Listening

3 Listen to the presentation on investment for business students given by a university professor, and complete the following notes.

- 1 Main area: _____
- 2 Particular area of focus: _____
- 3 Rationale for talk: _____
- 4 Key perspective: _____
- 5 Alternative perspective mentioned: _____
- 6 The most important type of investment: _____
- 7 Starting point: _____
- 8 Example idea: _____
- 9 Examples of people you need: _____
- 10 Investors want to see: _____

6 Listen again and note down as many emphatic structures as you can.

Example: *What I particularly want to talk about today is ...*

Negotiation

7 Work in three small groups. You work for a company that manages investment portfolios. You are looking to enter into an alliance with another group in order to diversify your client offer. Group A turn to page 114. Group B turn to page 113. Group C turn to page 116.

8 Form new groups of three. Use emphatic language to persuade the others that your group would make the best partner.

9 Work in your original groups. Report which of the other two organizations you think would make the best ally. Reach a group decision.



7.3 Vocabulary Investment choices

Discussion

Work with a partner. You have €50,000 to invest. Decide which one of the following investment choices you would make. Discuss your choices and say why.

- Use the money as a deposit for a house to start building a property empire.
- Invest in yourself, by doing an MBA at a top business school in the USA.
- Take a year out, without working, to come up with the ultimate business plan.
- Put all the money into stocks and shares and aim to double it within three years.
- Buy works of art, jewellery, gold and vintage wine and hope for the best.
- 'Downshift' by moving to an inexpensive region so your money goes further.

Internet research

Search for the keywords *property investment* and collect the boldest claims made. Conduct a quick class survey to find the most outrageous property investment claim.

Reading

Read the interview with actress Felicia Turner from the money pages of a weekend newspaper and complete the text with words and phrases from the box.

diversify recoup my losses companies value bricks and mortar
buy-to-let equities entails recession risk-averse exposed portfolio

From receptionist to actress – an investment journey

How did you end up where you are now?

Actually I didn't set out to become such a well-known actress living in a plum property in the most beautiful county in England. But I've always had my head screwed on when it comes to making my investment decisions.

What was the best investment decision you ever made?

This house, definitely. I bought it near the end of the bear market of the 90s and since then it's tripled in (1) _____.

And the worst?

When I was quite young I was persuaded to put all my eggs in one basket. One financial basket: the stock market. I used all my spare cash to buy (2) _____, mainly in blue chip (3) _____. But they still plummeted in value very soon afterwards, when the markets crashed and the (4) _____ set in.

Did that put you off investment?

No. Quite the opposite. I was determined to (5) _____, so I started over. That's when I started out in property and over a period of 12 years I've built up a (6) _____ of 12 flats and houses around London and the South-east which I rent out. Little did I know I would wind up as the (7) _____ queen I am today, or so I have been described.

Do you see yourself as a risk-taker?

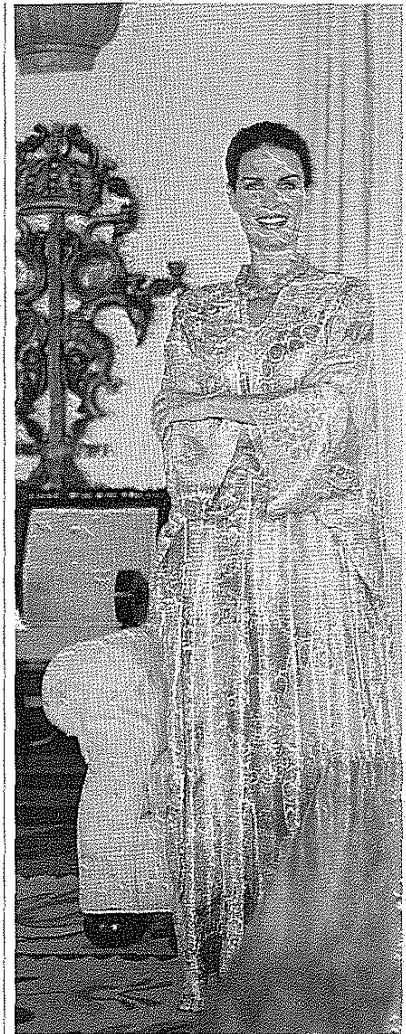
In life you mean? But seriously, no, I don't. I actually see myself as a cautious investor. Indeed, my financial adviser describes me as (8) _____, which given my personal life always amuses me. But that does not stop me from taking difficult decisions. One of my mantras is (9) _____ or die. In other words, make sure you have several different types of investment, so if one sector goes pear-shaped, you're not ruined.

So where else, apart from property, is your money invested?

Without going into too much detail, I make sure I'm (10) _____ to investments in several different currencies. Of course this strategy (11) _____ risk, but the other side of the coin is that this risk pays off: whenever sterling takes a tumble, I'm quids in.

Finally, do you have any sound advice for the younger investor?

Work hard, and whenever you're spending money, never forget how hard you worked for it. That'll make you spend less, and save more. Oh, and don't put it under the mattress: (12) _____ are your best bet – with property you can't lose!



3 Work with a partner. Decide on the meaning of the idioms below taken from the newspaper article about Felicia.

have your head screwed on put all your eggs in one basket
go pear-shaped the other side of the coin

Do you have any of these idioms in your first language?

Vocabulary

4 Match the investment jargon on the left with the simpler explanations on the right.

- | | |
|---------------------------------------|---|
| 1 boost income streams | a) charge a lot of money |
| 2 adopt a defensive investment stance | b) protection against the rises and falls of the market |
| 3 a buffer against market volatility | c) behaving in an individual manner |
| 4 a diversified portfolio | d) increase revenues |
| 5 going against the herd instinct | e) an investment that can't go wrong |
| 6 a lack of transparency | f) find ways of decreasing risk |
| 7 command a premium price | g) no ability to see what is really going on |
| 8 a sure-fire investment | h) a range of investments in different assets |

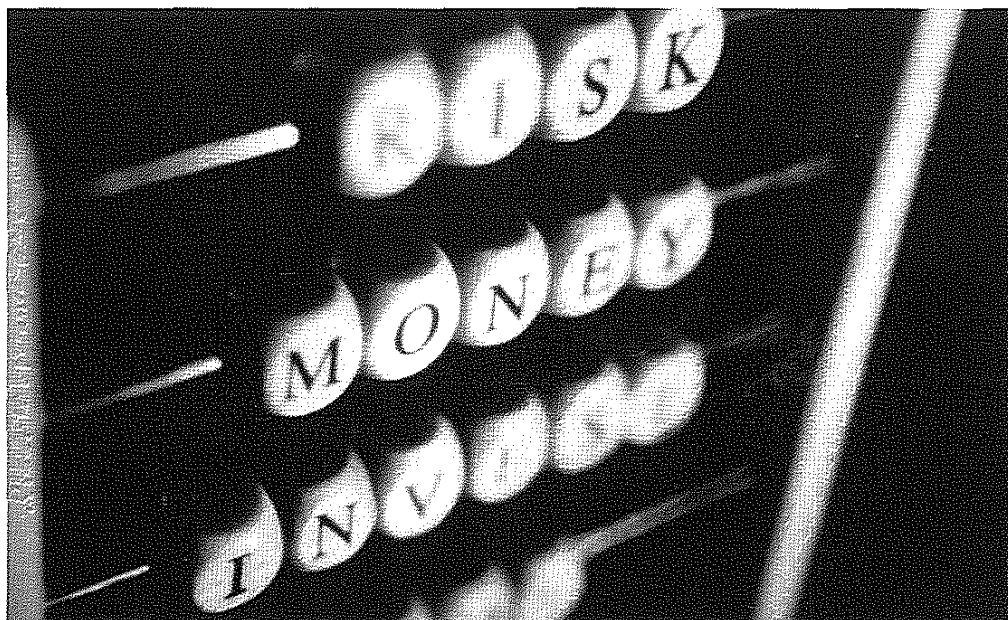
Listening

5 2:27 Listen to Tommaso Mancini, an investment product salesman, speaking at an investment fair. Which of the expressions from 4 does he use?

6 Listen again and note down the investment advice he offers on the topics below.

- Planning for retirement
- Currencies
- Property

7 Work with a partner. Which pieces of advice do you agree with?



Speaking

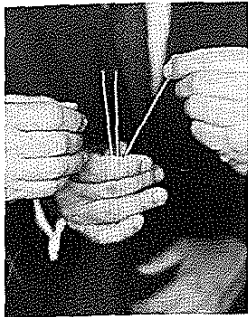
8 Work with a partner. Your aim is to establish your partner's investment profile, preferences, and possible plans for the next few years. Think about attitude to risk, favoured geographical areas, expectations of future wealth and types of investment (e.g. financial instruments, property, stocks and shares, exotic investments).

Writing

9 Write a short summary of your partner's investment profile.

7

Investment



7.4 Management skills Decision making

Discussion

1 In small groups, discuss the questions.

1 Which of the methods in the box do you use to make decisions? For what kind of decisions?

tossing a coin gut feeling sticking a pin in a list seat of the pants
paired comparisons drawing straws reading cards or tea leaves grid analysis
talking to a friend / family member / colleague

2 How did you choose your phone, computer or mp3 player? Try to define the steps in the decision-making process.

3 Compare your findings. What features do they have in common?

Grid analysis

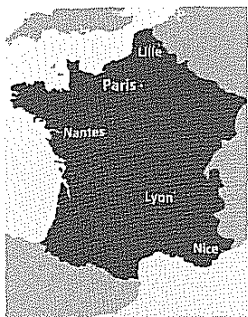
2 Grid analysis is a useful decision-making tool, especially in meetings when there are several good alternatives available and multiple criteria to consider.

Match the descriptions a)–h) with steps 1–8 in the decision-making process.

- | | | |
|-------------------------|--------------------------|-------------------------|
| 1) define the objective | 4) quantify the options. | 7) monitor performance |
| 2) identify the options | 5) weight the criteria | 8) take remedial action |
| 3) define criteria | 6) make the decision | |

- a) Evaluating performance of the option you have chosen will be easier if you have well-defined criteria. Plot quantifiable measures on a graph over the evaluation period.
- b) Prepare a grid with the options as rows and the criteria as columns. Grade each option from 1 (poor) to 5 (excellent) for each of your criteria.
- c) List the conditions that the ideal solution would fulfil, and all the selection criteria that they imply. Making criteria as quantifiable as possible will facilitate the decision-making process.
- d) Grid analysis does not guarantee good decisions, but is less subjective than a seat of the pants judgement. Make a decision without unnecessary debate. It is easier for a group to accept a controversial decision when all the factors have been visibly quantified and taken into account.
- e) Check that your goal is SMART (specific, measurable, achievable, relevant, time bound).
- f) This step may not be necessary if the optimal choice was made. If adjustment is needed, once again, quantifiable measures will help to see exactly where action is required.
- g) Unsatisfactory decisions are often the result of not considering enough options. Discussing possible options with other people and keeping an open mind at this stage will help to avoid this risk.
- h) Work out the relative importance of the criteria in your decision, and give each a weighting: the higher the weighting, the more important the criterion. On your grid, multiply the score for each option by the weighting, and add up the totals.

3 Match the sample grids for a new factory site with the appropriate steps in 2.



A	Cost	Communications	Climate	Workforce	Total
Lille	4	2	1	5	12
Nice	1	2	2	4	9
Lyon	3	4	4	2	13
Nantes	2	3	4	3	12

B	Cost	Communications	Climate	Workforce	Total
<i>Weighting</i>	<i>x3</i>	<i>x4</i>	<i>x2</i>	<i>x5</i>	
Lille	12	8	2	25	47
Nice	3	8	4	20	35
Lyon	9	16	8	10	43
Nantes	6	12	8	15	41

Internet research

Work with a partner to find out about two decision-making tools developed by Edward de Bono.

Student A should search for the keywords *Six Thinking Hats*.

Student B should search for the keywords *Plus Minus Interesting*. Explain to each other how to use the tools.

Listening

2:28–2:31 Listen to four extracts from a meeting about the factory sites in 3 and answer the questions.

- 1 Which step in the decision-making process is being discussed in each extract?
- 2 Which sites do Claire and Bernard prefer?
- 3 Do they accept the final choice?

Listen again and put the words in these expressions in the right order.

- 1 conditions find ideal need satisfy solution the to to we What would?
- 2 a and between characteristics desirable distinction draw essential need requirements to We.
- 3 Can more quantify specifically that we?
- 4 a all can consider draw Let's list options; our up we?
- 5 are avenues cover Does everything, explore or other should that there we?
- 6 a cost five of on one put scale to Where would you?
- 7 a as as Cost critical give I'd isn't it nearly only workforce; three.
- 8 can It Nice out rule seem that we would.
- 9 Do for go Lille we?
- 10 is it Lille then.

Vocabulary

Complete the expressions from 4, and find four pairs which have a similar meaning.

- | | |
|--------------------------|----------------------------------|
| 1 out of the _____ | 5 the be all and _____ all |
| 2 a make or _____ factor | 6 the _____ speak for themselves |
| 3 it stands to _____ | 7 it's pretty black and _____ |
| 4 out of the _____ | 8 it's an open and shut _____ |

Work with a partner. Suggest more appropriate business language for the meeting below.

- A: Listen-up you guys! Gentlemen, may I have your attention?
We gotta pick a city for the conference. Gimme your possibles.
- B: Chicago, Palermo, Tokyo.
- A: That's it?
- C: Moscow?
- A: OK, how do we pick the best?
- B: Decide what you wanna have and what you gotta have.
- C: Well, you gotta have cooperation.
- A: You wanna put a number on that?

Later ...

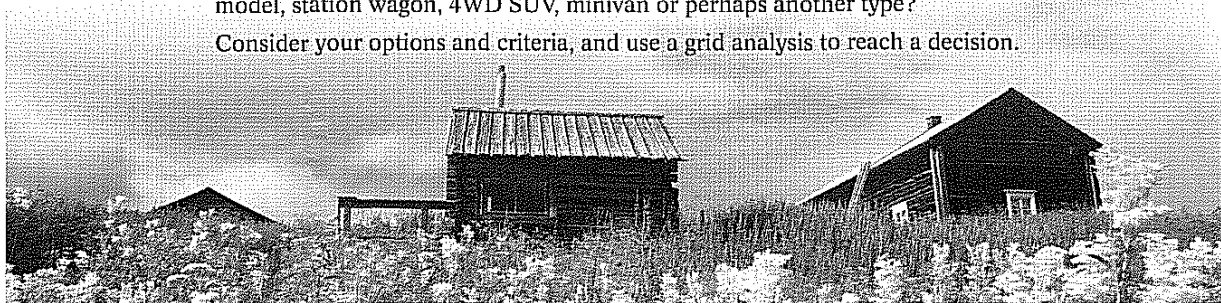
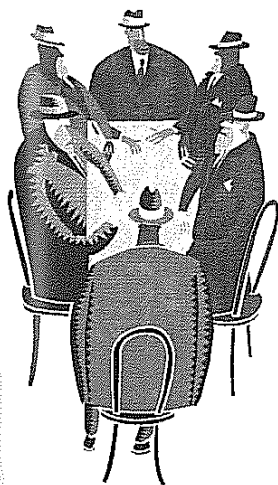
- A: OK, now casinos; out of five?
- B: Five.
- C: Nah, clubs before casinos. Three, max.
- A: So! Palermo is a no. Tokyo? Moscow? No. So I guess it's Chicago. OK?
- B: Yeah. No place like home, eh, boss?

Discussion

Work in small groups. You are managers of *Animal Health*, a veterinary practice catering for domestic and farm animals in Sweden. Your team of vets cover long distances by road to reach their patients in rural and sometimes remote areas. Company cars are an essential tool, an advertisement for your service and also an important perk of the job: good vets are difficult to recruit, and they appreciate being allowed to use them as a family car for weekends and holidays.

You are meeting to decide which model to choose for your new fleet of cars – a saloon, sports model, station wagon, 4WD SUV, minivan or perhaps another type?

Consider your options and criteria, and use a grid analysis to reach a decision.



7.5 Reports Financial reporting

Discussion

1 Work with a partner. Discuss the questions.

- 1 Metaphors relating to the following are commonly used in financial reports.

Match a phrase below with one of these images.

sports water weather combat health

- a) Prices took another knock.
 - b) Business is in good shape.
 - c) The company has gone under.
 - d) The business is now back on track.
 - e) The organization should be able to weather the storm.
- 2 What does each metaphor mean in this context?
 - 3 Why do you think these images are used?
 - 4 Can you think of any other phrases to illustrate each image?



Analysis

2 Read the share reports below and answer the questions.

- 1 What industry does each report belong to?
- 2 What has affected the share price in the past?
- 3 What might affect it in the future?

http://onlinesharereports.com

Confident construction company a wise buy

As the credit crunch bites, outsourcing companies become increasingly attractive. As businesses start to feel the pinch, they try to save costs by letting others take on non-core activities, so the theory goes.

Judging by Carillion's trading statement yesterday, the theory seems to be sound. The company reckons that it will achieve double-digit earnings per share in the first half-year, compared with the same period last year. The group's order book stands at £20bn, compared with £15.8bn last year, with the stock closing up 4% last night.

Most know Carillion as a construction company, but that division now contributes just 10% of UK profits. Yes, the group has a hearty construction division in the Middle East, but that region is booming, and anyway, Carillion does not tender competitively, rather it negotiates its own contracts.

The company is very confident, identifying few risks. The experts like the group, too. The integration of McAlpine, which it bought in February, will help to save costs, and the group is expected to achieve a share price of 410p within the year.

Investors would be wise to buy Carillion. The sector is one of the safest around, and the opportunity to buy a company that presently trades at a discount to its peers should not be readily passed up. Buy.

One to watch Share price: 121.5p (+3p)

Relatively new to the market, **Zenith** is described as a specialist tour company, so if you fancy a trip to Madagascar, or a naturist weekend in Albania, they can fix it for you. The bulk of its customers are empty-nesters, where Zenith has carved out a niche for itself. For the year to 31 October, pre-tax profits rose to £502,000 from £61,000 in the previous year. The figures comfortably beat expectations, and were the first since Zenith's acquisition of intrip20.nz in August.

intrip20.nz is New Zealand's largest online travel retailer, the link-up between the two clearly making strategic sense. Zenith is now in a position to offer its specialist holidays to intrip's sizeable customer base. Its forthcoming launch of holiday websites in the UK is hoped to further boost the customer base. The shares look cheap now, but they'll need to demonstrate more solid progress before any serious re-rating is likely. Analysts are fairly confident they will rise further this year, driving pre-tax profits up to the £3.5m level by the end of the year. Well worth keeping.

3 In which order do these four sections come in the reports above?

outlook recommendation news / context performance

Internet research

Choose three or four companies to research. Search for the words *share tips* and see what advice you come up with for those companies. Share your ideas with your group and decide whether or not you would invest in these companies.

Style

4 Add the verbs in their correct form to the phrases below.

forecast generate reach take trade tuck away

- 1 Investors should _____ advantage of the recent rally and sell.
- 2 Its international branch is currently _____ strong sales, and has taken the pressure off its team to further exceed targets.
- 3 Its stock is worth _____, and keeping somewhere safe for future benefit.
- 4 As a result of soaring oil prices, pre-tax profits look set to _____ the £3m mark.
- 5 Profits are _____ to rise by 4% to 21.6% next year.
- 6 Shares are now _____ back at the level of 12 months ago.

5 Which report section is each taken from?

6 Match the phrases on the left from the reports with the correct meaning on the right.

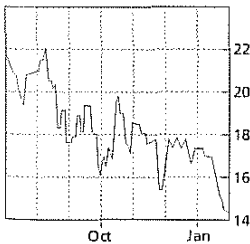
- | | |
|---------------------------------------|--|
| 1 the credit crunch bites | a very attractive; not to be missed |
| 2 feel the pinch | b cornered that area of the market |
| 3 sound | c easily did better than everyone thought |
| 4 passed up | d choose not to make use of a chance / opportunity |
| 5 a compelling investment opportunity | e sudden reduction in available loans takes effect |
| 6 carved a niche for itself | f notice the higher costs |
| 7 comfortably beat expectations | g increase the 'list' of customers |
| 8 boost the customer base | h reliable |

7 The following phrases have been taken from the end of financial reports. Discuss with a partner what the words in **bold** mean, and decide if they represent a positive, negative or a cautious approach.

- 1 ... with recovery **on track**, there is still further to go.
- 2 ... so it is probably time to **bite the bullet**.
- 3 ... in the **winner's enclosure** any time soon.
- 4 ... must surely soon **head back** the way they have come.
- 5 ... might as well **sit tight**.
- 6 ... how **bad the punishments** are.

Now add each phrase back to its context below.

- a) Investors may opt to wait to see _____. Hold.
- b) It is very difficult to imagine the company _____ Sell.
- c) Shares are not cheap, trading at 15 times 2008 forecast earnings, _____.
- d) Long-term holders _____.
- e) Recovery may not be immediate, but the shares _____. Buy.
- f) With more uncertainty in the pipeline _____, cut losses and sell.



Writing

8 You are a junior broker, and one of your clients is interested in buying shares in SourceMedia. Look at the information below and draft a report for your potential investor on whether they should invest, stating why, or why not.

Company name:
SourceMedia
Share price:
21p (+1p)

ex-film production company (unpredictable so risky); now owner of TV series and films; = not exciting but more predictable and profitable.
last 18 months - share price up 5-fold
Recent news:
large stock of TV programmes selling well. e.g. recent sales - licensing of sci-fi series Fax-motor to Channel2, - on prime-time TV
received offer from Arc Entertainment - share prices up 51%.
new sales abroad for its 'On the Road' and 'Take the Crunch series'.
owns more than 3,500 hours of TV, 500 feature films, including classics
This year's results - look good because large % of its revenues - already contracted.
pre-tax profits likely to reach £3m in 2010 and rise to £4m in 2011.
Good earnings visibility

7.6 Case study Lesage Automobile

Discussion

1 Work in small groups. The automobile business is a good example of a market where many customers feel oversold, i.e. in addition to meeting their basic needs, the product has features that they do not really need or want.

Some manufacturers have begun to respond by offering 'no-frills' products, like Renault's Logan.

Brainstorm examples of existing or possible no-frills products in other markets. Which ones would you (not) be prepared to buy?



Reading

2 Read the article below and answer the questions.

- 1 Why was Renault Chairman Louis Schweitzer surprised?
- 2 What is the Logan's appeal to Western European consumers?
- 3 How is Renault able to sell at half the cost of its main competitors?
- 4 How should Renault's competitors react?

Got 5,000 Euros? Need A New Car?

Drivers across Europe are clamoring for Renault's ultracheap, no-frills Logan

A strange thing happened when French auto maker Renault rolled out the no-frills Logan, a midsize sedan designed to sell for as little as \$6,000 in emerging markets like Poland. Western buyers clamored for the car. So Renault began delivering the roomy, unpretentious five-seater to France, Germany and Spain. The pricier West European version includes a passenger-side airbag and a three-year warranty but still sells for a base price of \$9,300 – about half that of the Ford Focus (\$17,250) and the Volkswagen Golf (\$18,264).

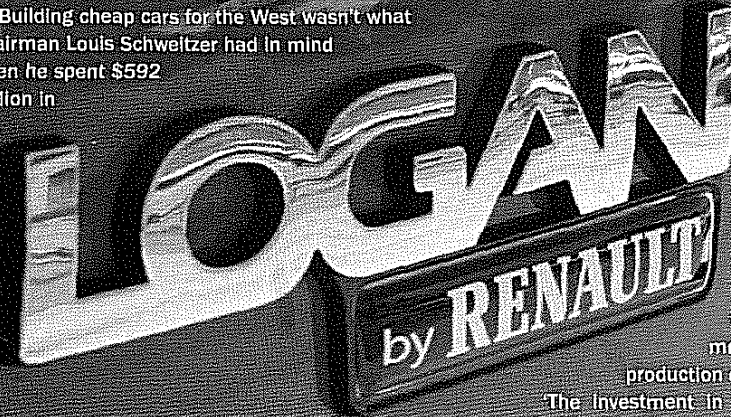
Building cheap cars for the West wasn't what Chairman Louis Schweitzer had in mind when he spent \$592 million in

No matter where the Logan sells, Renault has engineered a small miracle by making a car that is modern but stripped of costly design elements and superfluous technology. Deutsche Bank pegs production costs for the Logan at \$1,089 per car, less than half the \$2,468 estimate for an equivalent Western auto.

The concept was simple, says Kenneth Melville, the Scot who headed the Logan design team. Reliable engineering without a lot of electronics, cheap to build and easy to maintain and repair. To keep costs low, Renault adapted the platform used for its other small cars – the Clio, the Modus and the Nissan Micra. Melville's team then slashed the number of components by more than 50%. The simple design means assembly at the Romanian plant is done almost entirely without robots. That lets Renault capitalize on the country's low labor costs: gross pay for a Dacia line worker is \$324 per month. Now, Renault is ramping up production of the Logan from Russia to Morocco.

The investment in manufacturing is relatively low, so you can have factories that don't have to produce huge volumes to finance themselves, says Christoph Stürmer, senior analyst at researcher Global Insight in Frankfurt.

Other companies are working on cheap cars, too. Volkswagen is considering building a \$3,650 car for China, and in India, Tata Motors is offering its Nano for \$2,500. But for now, the Logan is the one turning heads.



1999 to acquire and retool ailing Romanian auto maker Dacia. He aimed to produce a low-cost vehicle targeted at developing countries, home to 80% of consumers who have never owned a car. But he may well have stumbled onto a rich vein of demand in the West for utilitarian cars, part of the discount mania that has spread across Europe.

Internet research

Search for the keywords *no-frills chic* to find examples of how low cost goods and services companies are investing in style to add value without increasing cost. Discuss how this formula could be applied to other products.

Listening

2:32 Lesage Automobile is a small independent car manufacturer. After several years of good results, the company is looking to invest to accelerate growth. Listen to two Board members discussing their options, and answer the questions.



- 1 Who is Amelia?
- 2 Which options do a) Mikhail and b) Jack favour?
- 3 What are they drinking, and why?

Listen again and complete options 1–8 in the first column of the grid below.

	a)	b)	c)	d)	e)	f)	g) other...	h) other...
1	refuse to _____	– invest in _____						
2	produce a _____	in _____						
3	build own model in _____							
4	_____ cheapest existing model _____							
5	joint venture with _____	using old generation _____						
6	import and _____	cheap cars from _____						
7	target traditional markets in _____							
8	target _____	markets in _____						
9	other ...							
10	other ...							

Reading

Read Amelia's note below. Find and enter six criteria a)–f) in the first row of the grid above.

Jack

Here are my ideas so far on the criteria for the no-frills project. Obviously we need to think about the political implications of relocating part of our production – I want to find out about possible incentives for investment in E. Europe or Russia. Another area to think about is how a no-frills project affects our corporate image? We need to evaluate the risk, especially now that the Greens are becoming politically and economically more influential.

The analysts say that potential profitability is similar for all projects, so we don't need to worry about ROI at this stage, but we do have to consider how attractive each option is for the low-end customer. And we mustn't forget after-sales, which could be tricky with some of our options.

It's vital to predict how the unions will react. Staff morale is very important. Re: finance – can we use liquidity or debt? The family would prefer to avoid diluting our equity if possible.

What else do we need to take into account, and what are the priorities? Let me know what you think.

Amelia

Discussion

Work in small groups. Consider the options and the criteria in the grid above: delete, modify or add other ideas as you feel appropriate. Then quantify the options, weight the criteria and decide what to recommend to the Board of Lesage.

- Student A turn to page 111.
- Student B turn to page 112.
- Student C turn to page 114.
- Students D and E turn to page 116.