

Министерство образования и науки Российской Федерации  
Сибирский федеральный университет

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# ДЕЛОВОЙ ИНОСТРАННЫЙ ЯЗЫК

Рекомендовано федеральным государственным бюджетным образовательным учреждением высшего профессионального образования «Санкт-Петербургский государственный университет» в качестве учебного пособия по дисциплине «Деловой иностранный язык» для студентов высших учебных заведений, обучающихся по направлениям подготовки 38.03.01 «Экономика» (профиль 38.03.01.04 «Мировая экономика»); 38.03.02 «Менеджмент» (профиль 38.03.02.05 «Международный менеджмент»). Регистрационный номер 3003 от 06.04.2015 г.

Красноярск  
СФУ  
2015

УДК 811.111(075.8)  
ББК 81.432.1я73  
Г859

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Г859      Деловой иностранный язык: учеб. пособие / Е.Б. Гришаева,  
И.А. Машукова. – Красноярск: Сиб. федер. ун-т, 2015. – 192 с.  
ISBN 978-5-7638-3296-9

Представлен модульный принцип обучения английскому языку в сфере деловой коммуникации. Включены аутентичные тексты экономического профиля и задания к ним.

Предназначено для подготовки студентов, обучающихся по направлению 38.03.01 «Экономика» (профиль 38.03.01.04 «Мировая экономика»); 38.03.02. «Менеджмент» (профиль 38.03.02.05 «Международный менеджмент»).

Электронный вариант издания см.:  
<http://catalog.sfu-kras.ru>

УДК 811.111(075.8)  
ББК 81.432.1я73

ISBN 978-5-7638-3296-9

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## **INTRODUCTION**

## **ВВЕДЕНИЕ**

Учебное пособие построено на коммуниктивно-функциональном принципе и предусматривает развитие всех видов речевой деятельности. Представленный материал отражает терминологию основных направлений международной экономической и управленческой деятельности, включая кросскультурные понятия.

Основная цель работы – формирование ряда универсальных и профессиональных компетенций, содержащих инструментальную, коммуникативную, межкультурную и социокультурную, комплексная лингвистическая, практическая и информационно-аналитическая подготовка для выполнения функций, связанных с использованием иностранного языка в профессиональной деятельности, научной и практической работе, в общении с зарубежными партнерами, самообразовательных и других целей.

Пособие состоит из двух частей. В первой – три самостоятельных модуля, включающих в себя разделы (Units). Все разделы структурированы. Изучение материала начинается с постановки задач для конкретного раздела и выстраивается на базе аутентичных текстов (Reading). Каждый текст сопровождается предтекстовыми заданиями (Getting started) и послетекстовыми упражнениями, направленными на проверку понимания содержания (Comprehension), развитие лексики (Vocabulary), формирование и развитие навыков говорения (Talking point, Discussion), а также и письма (Writing). Предлагаются и задания повышенного уровня – это ролевые игры (Role-play), проекты (Project) и исследования (Research).

Вторая часть пособия содержит справочный материал, состоящий из трех разделов. Первые два – приложения по письму (Writing References) и говорению (Speaking References), третий – вокобуляр (Vocabulary) к каждому разделу, где приводятся наиболее частые употребления лексических единиц в разных контекстах, примеры приведены к большинству текстов и некоторым другим заданиям.

Учебное пособие имеет практическую направленность. Материал ориентирован на активные методы обучения иностранным языкам.

# MODULE 1

## UNIT 1. MANAGEMENT

### Learning outcomes

- Understand how companies are ruled, get to know about the duties and responsibilities of those who are responsible for the governance
- Make summaries and learn to make a report
- Participate in discussions using your personal experience
- Participate in role plays on problems of management

### Task 1. Reading 1

#### Getting started

- *Before reading the text, discuss in small groups what practical roles play directors in the governing the company. Do they always play the same role or the roles are changed according to the needs of the company?*
- *Skim the first part of the text (A) to find out if your ideas are similar to those in the text.*
- *Read the subheadings in parts B and C and discuss with your peers what each role means.*
- *Make a list of responsibilities that directors have, compare your list with a partner's, discuss together and come to an agreement. Then read part D and check your ideas.*
- *Discuss in groups of three if directors have responsibilities to shareholders; why, if they have, and what responsibilities are. Then read part E.*
- *How should directors act towards the company? Can you think over some features and qualities that can characterise their attitude to the members of the company and to work on the whole? Now read part F and check your ideas.*
- *Discuss with a partner what you know about theories of corporate governance, then read the last part G to know more about it.*
- *Read the text and consult Vocabulary p. 137–139.*

## **ROLES AND RESPONSIBILITIES OF DIRECTORS<sup>1</sup>**

### **A. Roles for Directors**

Although a company law tends not to distinguish between different directors, holding them all equally responsible for the governance of the corporate entity, in practice the contributions that different directors make to their board can vary considerably. Moreover, the roles that any director may be called on to play can change over time.

Broadly directors' activities can be separated into two categories — the performance roles, in which the board is focusing on strategic and policy issues for the future, setting the corporate direction and contributing to the performance of the business; and the conformance roles, in which the board is ensuring that the company is conforming to policies, procedures and plans laid down by the board and being properly accountable for its activities.

In deciding on board nominations, the balance of skills, experience and personal talents of the various directors need to be considered. It can also be important for an effective board that the skills and abilities are appropriately balanced and in harmony, and that members appreciate the roles that are expected of them by their colleagues.

### **B. The Performance Roles**

The first set of roles can be thought of as contributing to the overall performance of the business. We can usefully distinguish a number of different roles within this category, giving each a label for reference.

#### ***Contributing know-how, expertise and external information***

The first role involves bringing knowledge and experience to bear on issues facing the board. Here the director is drawing on his accumulated experience in business and other similar situations generally. We might call the role that of "the wise man". Long-serving directors may find themselves cast in this role by newer board colleagues.

The second role is that of "the specialist". Here the director relies on his particular professional expertise, skills and knowledge. For example, the expertise might be from the realms of accountancy, engineering or law; or stem from specialist knowledge of a particular international market, technology or financial matter. In some growing companies outside directors are appointed to the board specifically to provide such specialist inputs, until such time as the company acquires such skills at the executive level.

Then there is the role which we could call "the window-on-the-world". Here the director is being used as a source of information on issues relevant to board discussions. Often this will be on matters external to the business, such as insights into marked opportunities, new technologies, financial and economic

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<sup>1</sup> Some of the material in this chapter appeared originally in 'The non-executive director' in *The Director's Manual*; Director Books, Simon & Schuster, Cambridge, England, 1990.

concerns or international matters. Again this is often a role for outside directors who are in a position to obtain information, through their day to day activities, that is not readily available to the executive directors.

***Networking, representing the company and adding status***

Another potentially important role, often fulfilled by outside directors, is that of "the contact-person", who is able, through personal contacts, to connect the board and top management into networks of potentially useful people and organizations. For example, the director might be placed to forge contacts in the worlds of government, banking, international trade or political circles. Clearly supplementary to the "window-on-the-world" role, this contribution implies an additional pro-active dimension.

In "the figure-head role" the director is called on to represent the company in the external arena — in meetings with investors and financial analysts, for example, or in trade and industry gatherings. The chairman of the Board often takes on this responsibility, being invited to join public committees, commissions and the governing bodies of important public bodies. Increasingly such directors might be spokesmen for the company with the media.

Then there is a related role of "the status-provider". In the past it was sometimes the case that eminent public figures were invited to join boards, because of their public distinction rather than any specific contribution that they could make to board deliberations. Today business acumen, professionalism and the ability to contribute directly to board affairs are usually expected. But cases can still arise where the bringing of reputation, status, even credibility to a board is important. If the company has been through financial difficulties and needs to rebuild confidence with the financial markets, or has had problems with products or services in the market place and needs to rebuild customer confidence, such an appointment can be valuable.

**C. The Conformance Roles**

The above six roles are oriented towards improving the performance of the company through better strategic thinking and policy making. The following six roles are more to do with ensuring that the company conforms to policies, procedures and plans determined by the board.

***Judging, questioning and supervising executive management***

We have seen that a potential problem of a board dominated by executive directors is the danger of being both responsible for monitoring and overseeing their own performance — the challenge of "*marking their own examination papers*". A vital contribution from many independent non-executive directors is the ability to see board issues from various perspectives, in short to play the role of "*the judge*". The provision of an objective assessment of a situation and a clear evaluation of alternatives can be most valuable. An independent assessment of top management performance can overcome the tunnel vision sometimes found in those closely involved with the situation, or the myopia brought on by being significantly affected by the outcome.

"*The catalyst*" is a director who is able to question the board's assumptions, causing change without necessarily changing himself. He points out that what might appear to be an incontrovertible truth to some board members is, in fact, rooted in various beliefs that others may have about the company, its markets, its competitors and so on. He can remind the board of value judgments being made during a discussion, where inferences are masquerading as facts. Furthermore he can stimulate the board meetings with new, alternative ideas and insights.

The responsibility of the board to monitor and supervise the performance of executive management, providing independent checks and balances, is often rehearsed in commentaries on the role of outside director. In the next chapter we will discuss the use of board committees, made up of independent outside directors, such as the audit and nominating Committees, to provide such monitoring mechanisms. In this way we can identify a further role for a director as "*the monitor or supervisor*" of executive performance.

#### ***Watchdog, confidant and safety-valve roles***

The director in a "*watchdog role*" has cast himself as the protector of the interests of the owners or, more often, specific interest groups. Representative and nominee directors are inevitably in this position, as they look out for the legitimate interests of, for example, minority shareholders, consumers, employees and the like. The duty of every director to be concerned with the interest of the company as a whole (that is of the shareholders as a whole) must not be overlooked, as we saw in the last chapter.

Some directors may find themselves cast in the role of "*confidante*"-acting as a sounding board for other directors, the chief executive or the chairman. It means a trusted and reliable counsellor in times of uncertainty and stress; someone to share concerns with about board matters outside the boardroom. In the political process involving the use, and occasionally abuse, of power at the top of organizations, such a person has much to offer.

Finally, there is a legitimate role for a director, acting at times of crisis, to be "*the safety-valve*" — the person who is able to release the pressure, prevent further damage and save the situation. One example could be when the chief executive has to be replaced. Executive directors may not be able to act: their future boss is being appointed. Another example might occur if the company suddenly had to face an unexpected catastrophe - a tragic incident involving employees or consumers, for example. Here the good counsel of a wise member of the board could save the situation.

#### **D. The Responsibilities of Directors**

We turn now to the duties, rights and responsibilities of directors.

The body of company law, in the jurisdiction in which a company operates, determines many of the responsibilities that directors in that state or country face. Further duties may be found in the laws of insolvency, consumer protection, monopoly and merger, employment and so on. For the public



company, whose shares are traded in the public arena, securities trading and investor protection legislation and the rules of the relevant stock exchange will also apply.

Obviously it is not appropriate in this text to attempt to survey the scope of such rules and regulations around the world. A number of general points, however, can be made.

Firstly, the extent and detail of company law varies considerably between jurisdictions. Continental European countries, such as Germany and France, and other states whose laws are rooted in Roman law, rather than Anglo-Saxon case law, tend to have more prescriptive rules to constrain and regulate corporate governance. Moreover, within the case-oriented legal structures the extent of company regulation varies considerably. As an indication the basic companies' ordinance in Hong Kong runs to 3 675 pages, in Singapore to 567 pages and in England to 630!

Secondly, in most countries the tendency in recent years has been to increase the statutory requirements for corporate disclosure and the regulation of corporate affairs. Further, the tendency to resort to civil litigation has been increasing. The threat of court action has become a significant element in the corporate governance process in some countries. This has been particularly the case in the United States, where class actions (that is the ability to join all members of a class, such as shareholders, in a single action) and contingent fees (that is the process of a lawyer offering to take a case on the basis of fees contingent on the success of the case and the size of any damages awarded — a practice, incidentally, that is prohibited in many other countries) have encouraged such litigation. But other countries, such as the United Kingdom, Australia and Canada, have also seen significant increases in actions being brought against companies, their auditors, their boards and individual directors by shareholders and others alleging, *Inter alia*, negligence and directors' failure to exercise their proper duties of care and trust.

Thirdly, despite the significant differences in the legal position of directors between jurisdictions, there are a few very general points that are broadly applicable to directors everywhere.

### **E. Responsibilities to the Shareholders**

In most cases directors are formally appointed by the shareholder members of the company. As we saw in Chapter 1, ownership is the underlying basis of power to nominate and elect directors, even though in practice nominations for new board members may come from the incumbent board, which might also fill casual vacancies. Nevertheless the shareholders, meeting together in a properly convened meeting, typically hold the confirming power. Exceptions to the general rule of shareholders appointing directors include some state-owned corporations where the government exercises that power under the relevant statute, and where the articles of association of a company provide otherwise.

Consequently, a director's basic responsibility is to the shareholder members. As we will explore subsequently, boards need to provide strategic direction for the business, setting relevant policies, and to supervise the activities of top management. Further, the board is required to be accountable to the members, including the requirement to present regular reports and accounts, duly audited in most cases, in the statutory form. In some jurisdictions these accounts are filed and are available for public inspection.

#### **F. Directors' Obligation to Honesty and Integrity**

In almost all jurisdictions a company director is expected to act with honesty, integrity and candour towards the company — in particular its members. This fiduciary duty is to the company as a whole. In practice this can be difficult if, for example, a dominant parent company exercises power over a subsidiary in which there are minority outside shareholders. Decisions must be taken in good faith for the common good. British-based common law allows directors to determine the best interests of the whole, subject to the right of appeal to the courts; directors of American companies owe specific fiduciary duties to any minority shareholders.

The primary duty, in other words, is to act honestly in good faith, giving all shareholders equal, sufficient and accurate information on all issues that could affect their interests. Directors may not treat a company as though it exists for their personal benefit.

A director, consequently, must not make a secret profit out of dealings with the company. His duty is to disclose any such interests to the board and to abide by their decision as to what is in the company's best interests. Insider trading, that is dealing in the shares of a quoted company, on the basis of privileged, price sensitive information is considered improper in all jurisdictions and is a criminal offence in most (though not all).

A further duty imposed on directors, either by statute or case law, is the duty to exercise reasonable care, diligence and skill in their work on the board. The interpretation of what constitutes such reasonable skill and care varies between countries. A general proposition is that the standard of professionalism now expected of directors, around the world, is significantly higher than a few years ago. Courts will act if fraudulent or negligent behaviour is alleged, or where there seem to be abuses of power by directors: it is not the role of the courts to second guess commercial judgments made by directors, even though by hindsight they have been misguided.

#### **G. Theories of Corporate Governance**

The original corporate concept enshrined a philosophical assumption about the nature of man, one that has been reflected in subsequent developments of company law — a view that man is essentially trustworthy, able to act in good faith in the interest of others with integrity and honesty. This is implicit in the fiduciary relationship required of directors. Certainly checks and balances are involved, but only to catch the occasional rogue.

This perspective has been termed stewardship theory (Donaldson and Davis 1988) and is consistent with some behavioural theories; for example with theory Y of Macgregor, whose principal propositions include:

- 1) that management is responsible for organizing the productive elements — men, machines, materials and money — in the interests of economic ends;
- 2) that people are not by nature passive or resistant to organizational needs;
- 3) that the motivation, the potential for development, the readiness to direct behaviour towards organizational goals are all present in people.

However, one of the earliest studies in the field of corporate governance, by Berle and Means in 1932<sub>t</sub> provided a challenge to the conventional assumptions of stewardship theory. They pointed out that] ownership in large public companies had become separated from management. No shareholder owned significant proportion of the equity capital. The top managers themselves held only very small stakes, if J any. Consequently the shareholders were no longer able to monitor the affairs of the business in which they had invested — they had surrendered their control to management. Moreover, the interests of owners and management was likely to diverge — the former seeking increased corporate worth reflected in share price and dividend stream, the latter in job security, reward packages, and other personal benefits.

Berle and Means contended that managers did not have the same interest and motivation as the owners to make full and efficient use of the corporate assets. Consequently the owners had to introduce other means to ensure an alignment of owners and managers interests. Jensen and Meckling (1976) extended the argument by assessing the agency cost of this alignment. They define the shareholder relationship as one of agency: a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers there is good reason to believe the agent will not always act in the best interests of the principal.

Such a perception has become the underpinning of agency theory, now an important component of the literature of financial economics. The agency theoretical view is that an agent will not take decisions which attempt to maximize the long-term value of the firm, but rather will take decisions out of self interest to benefit the agent to the detriment of the principal.

The view of man taken by agency theory, by contrast to stewardship theory, is that people cannot be trusted to act in the public good in general and in the interests of the shareholders in particular: they need to be monitored and controlled to ensure compliance. Such check and balance mechanisms, obviously, incur agency costs. Jensen and Meckling argue that firms should incur such agency costs of enforcement to the point at which the reduction of the loss from non-compliance equals the increase in enforcement costs.

Examples of such agency costs being incurred in practice include board structures which emphasize outside, independent directors, committees of the board comprising independent directors to be concerned with audit, top management remuneration and the nomination of new directors, and the separation of the 1 roles of chairman and chief executive officer.

Elaboration of agency theory applied to governance issues is contained in the readings.

Further theoretical insights relevant to corporate governance on an international dimension may be found in cross-cultural studies. Research in this area has hardly begun, but suffice it here to comment that both stewardship theory and agency theory are Western in context, assuming rational, unemotional, contractual relationships based on the desirability of order with appropriate procedures and rules, with participative and open styles of relationship and ready access to information. Corporate governance in other parts of the world, throughout most of the Pacific Basin for example, must be practiced within different philosophical traditions, where responsibility, ready acceptance of hierarchical control, respect for authority, paternalism, collectivities rather than individual, and secrecy may be the norm.

### **Task 2. Talking Point 1**

*Work in groups of three, consult Speaking References p.126–130 and discuss the following:*

- *What qualities/features does deciding on board nominations depend on?*
- *Expand on being “the wise man”, “the specialist”, “the window-on-the-world”.*
- *Expand on being “the contact-person”, “the figure-head role”, “the status-provider”.*
- *Expand on being “a judge”, “the catalyst”, “the monitor or supervisor”, “watchdog role”, “confidant”, “the safety-valve”.*
- *How much do the basic companies ordinances differ in different countries? Take into consideration: laws rooted in Roman law/within the case-oriented legal structures.*
- *What is the underlying basis of power to nominate and elect directors?*
- *Who does hold the confirming power?*
- *What are the basic responsibilities of the shareholders?*
- *Expand on acting honestly in good faith*
- *What are the main duties imposed on directors?*
- *What is the nature of man in accordance with the original corporate concept?*
- *Expand on stewardship theory/Criticism on “stewardship theory*
- *Expand on the agency theory.*

### Task 3. Reading 2

#### Getting started

- *Before reading the text, discuss in small groups what role plays the board of directors in the governing the company.*
- *Skim the text to find out if your ideas are similar to those in the text.*
- *While reading the text, pay attention to the words in bold and try to explain them. Consult Vocabulary p. 139–140.*
- *Title the text.*

The **board of directors** of a limited company is primarily responsible for **determining the objectives and policies of a business**. It is the directors who determine the direction the business is going to take. They will need to ensure that the necessary funds are available and will **appoint key staff** to whom they will delegate the authority to run the business on a day-to-day basis. They will need to design an effective organisation structure so that there is both **a chain of command** linking one level of management with another and an effective **communication network** so that instructions can be passed downward and information passed upward.

The directors are appointed by the **shareholders**, normally at the company's annual general meeting, at which the chairman of the board will be expected to account for their stewardship during the previous year. The company's accounts will be presented to the shareholders at that time so they can judge for themselves whether or not the board has been successful.

Direction in business is like strategy in a war situation. The strategic decisions determine the areas in which the company's resources will be employed. Above all it involves planning to ensure that the business first survives and then flourishes. Strategic decisions, made by the board of directors, are concerned with the **disposition of resources**. These contrast with the tactical decisions by means of which the **senior executives** (appointed by the directors) carry out in detail the plans conceived or approved by the board of directors.

The fact that boards of directors tend to meet rather infrequently, say once a week, means that part-time directors can be elected to the board. Since they will not have departmental responsibilities within the company they are often described as non-executive directors. There are arguments in favour of such directors though they may lack a detailed knowledge of the company's activities. They may **bring expertise** to the board. Some are lawyers, or experts in tax affairs. Some represent influential groups of shareholders whose support is necessary if the board is going to carry out its plans, while others are directors in a number of companies and are used to interlock boards within a group of companies. For example, a holding (or parent) company may appoint a director from their board to serve on the board of a subsidiary company, with a view to keeping a watching brief on the directors' activities.

#### **Task 4. Talking Point 2**

*Work in groups of three, consult Speaking References p. 126–130 and discuss the following:*

- *Why delegating is used in running the business?*
- *What role do the senior executives play in the company?*
- *What happens at the annual general meeting?*
- *What is the difference between a strategic and a tactical decision?*
- *What part can non-executive directors play in the proceedings?*
- *What is meant by an interlocking board of directors?*
- *How is it that a board of directors can control a company though they only meet, say, once a week?*

#### **Task 5. Vocabulary 1**

*A. Match the phrases from the text (1–9) to their definitions (a– i).*

- |  |  |
|--|--|
| <b>1 The board of directors</b>                              | a) people who own shares in a company and get a part of the company's profits and the right to vote on how the company is controlled |
| <b>2 Determine the objectives and policies of a business</b> | b) a system consisting of many similar parts that are connected together to allow communication between the parts                    |
| <b>3 Appoint key staff</b>                                   | c) planning how to place and use valuable possession of a company  |
| <b>4 A chain of command</b>                                  | d) the group of people who shareholders choose manage a company or organization  |
| <b>5 Communication network</b>                               | e) someone in a high position, espy in business, who makes decisions and puts them into action                                       |
| <b>6 Shareholders</b>  | f. a set of orders   |
| <b>7 Disposition of resources</b>                            | g) to choose someone from the personnel officially for a job or responsibility   |
| <b>8 Senior executives</b>                                   | h) examine someone's work or documents with a high level of knowledge and skill  |

## 9 Bring expertise

i) decide what goals, ideas and strategies must be the most important for a company

### ***B. Fill in the blanks in the text below, using the words from the box:***

link, company's, actively, coming, increase, delay, sell, company's, capital, provided, run, spent, certain, mixture, brand, overseas, combines, course, coming, faced, benefit, appointed, marketing, financial, general, advertising, complex, buy, directors, management, post, appointed

### **EXECUTIVE DIRECTORS**

A modern business enterprise is often a system requiring a lot of \_\_\_\_\_, which is provided by the public when they \_\_\_\_\_ shares in the company. Since they have \_\_\_\_\_ the capital, it is appropriate that they choose the people who are to \_\_\_\_\_ the company for them, namely the board of directors. Many of the \_\_\_\_\_ also have executive responsibilities.

Thus, a marketing director might be a full director of the board, \_\_\_\_\_ by the shareholders at the annual \_\_\_\_\_ meeting like the other directors. Yet he might also be responsible for the day-to-day \_\_\_\_\_ of the marketing department. Most of his time will be \_\_\_\_\_ on administrative matters, organising market research, dealing with \_\_\_\_\_ and generally ensuring that the \_\_\_\_\_ sales are maximised. But he will function as a director when the board of directors meets. The \_\_\_\_\_ of managing director also \_\_\_\_\_ the role of chief executive with membership of the board and this allows him to act as a vital \_\_\_\_\_ between the board of directors and their \_\_\_\_\_ management team. The managing director is often also chairman of the board of directors.

Executive directors have the advantage that they are \_\_\_\_\_. Involved with the \_\_\_\_\_ affairs. If the board of directors wishes to move in a \_\_\_\_\_ direction the executive directors will know whether such a \_\_\_\_\_ of action is practicable. For example, the board might wish to \_\_\_\_\_ their products in a particular \_\_\_\_\_ market. The market would be profitable for the company, but the \_\_\_\_\_ director knows that his teams of salespeople lack the experience to take advantage of the situation. Or perhaps the board would like to \_\_\_\_\_ the advertising expenditure during the \_\_\_\_\_ year but the \_\_\_\_\_ director knows that the company will have to meet some heavy commitments during the \_\_\_\_\_ months and it would be better to \_\_\_\_\_ the campaign.

Perhaps the best board is one which contains a \_\_\_\_\_ of executive and non-executive directors. In this way the board has the \_\_\_\_\_ of some directors who know the practical problems \_\_\_\_\_ by the business, while others bring their own \_\_\_\_\_ of expertise to the boardroom discussions.

## Task 6. Vocabulary 2

**Multiple choice. Read the text again and check that you have understood the main points by choosing the best answer a, b or c to these questions:**

1. When the directors are discussing the problems facing the company they primarily have to consider
  - a) the interests of the public.
  - b) their own interests.
  - c) the interests of the shareholders.
2. When a proposal is made and a vote taken the usual arrangement is that
  - a) each director has one vote no matter how many shares he hold.
  - b) only the chairperson can vote.
  - c) the directors with most shares have the most votes.
3. Key members of staff will be chosen by the managing director because
  - a) he is more knowledgeable than the other directors.
  - b) he has got to answer to the board for their performance.
  - c) he earns more than the other directors.
4. Non-executive directors will often be appointed because
  - a) they have valuable contacts with potential customers.
  - b) they have departmental responsibilities.
  - c) no-one else is available.
5. Directors are usually required to have shares in the company so they can
  - a) be seen to have a personal stake in the business and thus be affected by their decision.
  - b). receive share certificates from the registrar's department.
  - c). take on administrative duties.
6. Strategic decisions are concerned with
  - a) the details of day-to-day Administration.
  - b) the disposition of the company's resources.
  - c) the payment of wages.
7. While decision-making powers are commonly delegated to senior executives
  - a) the directors are not responsible to the shareholders for any mistakes which might be made
  - b) they are not responsible for any errors of judgement.



c) the directors remain responsible to the shareholders for any mistakes which might be made.

8. The further ahead one plans

- a) the more troubles there are likely to be.
- b) the more one can anticipate problems and thus avoid them.
- c) the less one can anticipate problems.

9. Tactical decisions are those by means of which the senior executives

- a) carry out their own plans.
- b) destroy the opposition.
- c) carry out the plans prescribed by the board of directors.

10. The directors have to initiate long range plans with a view to ensuring

- a) the achievement of the company's objectives.
- b) the maintenance of good relations with the senior executives.
- c) compliance with the law.

### Task 7. Talking Point 3

*Study the information about a situation in Rumford Engineering. It is a public limited company and its shares are quoted on the London Stock Exchange. The chart below shows the lines of communication and command between the company's senior officials.*

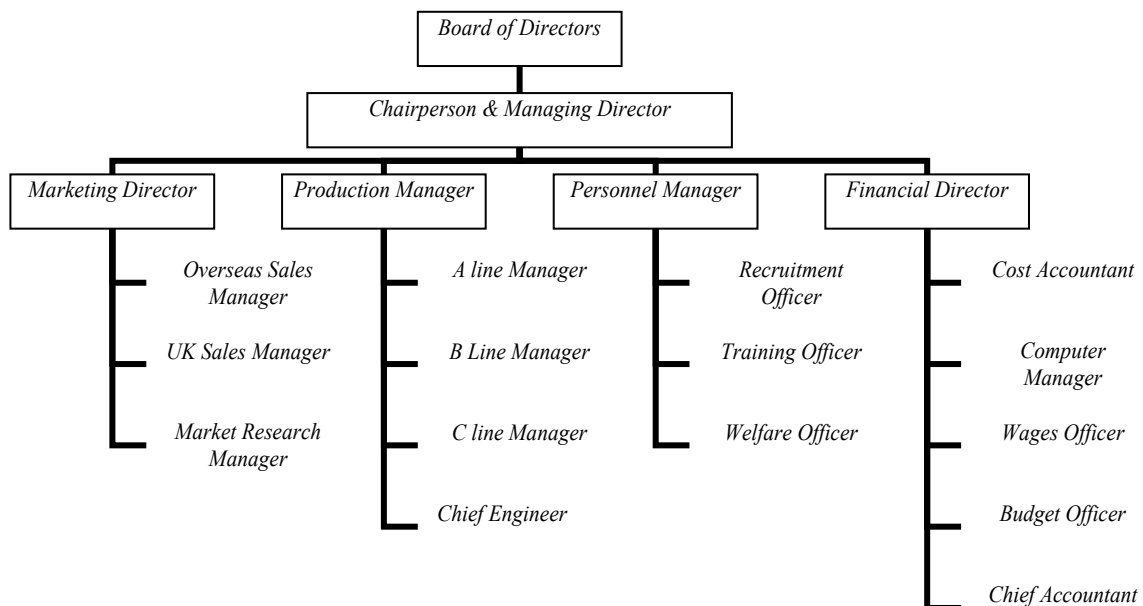


Figure 1.

*After studying a chart, discuss the following questions with your partner:*

1. From whom do the Line Managers and the Chief Engineer take orders?
2. If the Managing Director and the Production Manager had a meeting, what do you think they might discuss?
3. How many executive directors are there in Romford Engineering?
4. If the Computing Manager was sending information to the Managing Director should he send it through the Financial Director? Why?
5. How many immediate subordinates do each of the Departmental heads have?
6. In what circumstances do you think the Marketing Director and the Production manager might have conflicting interests?
7. Would you expect the Chief Engineer to be paid more or less than the Production Manager? Why?
8. What sort of work would you expect the Wages Officer to do?
9. If there was a dispute between one of the line managers and the Chief Engineer, how would you expect it to be settled?
10. If there was a dispute between the Marketing Director and the Financial Director how would you expect it to be settled?

### **Task 8. Vocabulary 3**

*Fill in the blanks with appropriate words from the list below:*

**Nouns:** accounts, board, responsibilities, directors, votes, shareholders, resolution, team.

**Verbs:** make, propose, elected, answers, passed, ensure, undertake, send.

1. The \_\_\_\_\_ of a company have the responsibility to \_\_\_\_\_ that the requirements are complied with.
2. The directors of a company must \_\_\_\_\_ a copy of the company's annual \_\_\_\_\_ to the Registrar of Companies.
3. The directors will \_\_\_\_\_ decisions by passing resolutions at the \_\_\_\_\_ meeting.
4. Each of the directors will normally have one vote when a \_\_\_\_\_ is \_\_\_\_\_.
5. Resolutions are \_\_\_\_\_ when there are a majority of \_\_\_\_\_ cast in favour.
6. Executive directors are those who \_\_\_\_\_ departmental \_\_\_\_\_.
7. The directors are \_\_\_\_\_ by the \_\_\_\_\_ at the annual general meeting.
8. The managing director \_\_\_\_\_ to the board for the performance of his management \_\_\_\_\_.

### **Task 9. Reading 3**

#### **Getting started**

- *Before reading the text, discuss in small groups why planning is significant for successful work of the companies, what types of planning you know and what main differences are between these types.*
- *Now read the text, title it and check if your ideas are right. Consult Vocabulary p. 140.*

Top management is often under heavy pressure so that immediate problems often absorb much of their efforts. Time to analyse complex data and project future trends is likely to be limited. To combat this problem a long-range planning department might be set up to act in an advisory capacity. The long-term planning team would be directly responsible to the managing director, but freed from routine duties. Such a department would be small and made up of top quality generalists, trained to see the wood as well as the trees.

It is difficult to decide how far ahead to plan. An accurate long-term forecast is most advantageous to the firm, but the further ahead one looks, the less certain one can be of the outcomes. To overcome this problem a flexible approach needs to be adopted. Long-range plans for, say, three to five years might be mapped out, but there will have to be frequent reviews and re-appraisals so that the direction of the firm can be changed as and when the need arises.

Firms may want to enter new industries, launch new products, enter new markets (perhaps overseas) or acquire new subsidiaries. Existing activities may be expanded, consolidated or cut back. Whatever the requirements, careful planning is called for. The production side of the business has to be geared to keep pace with changes in the market. At the same time stocks must be kept at just the right level. If the stock level is too high, capital is tied up unproductively. If the stock level is too low, an upsurge in demand will lead to potential customers being turned away, possibly permanently.

There is also a difficult choice to be made between a policy of diversification and short term profit maximisation. The risk of failure can be reduced by choosing to produce a range of goods and services so that if revenue from any of them contracts it represents only a small part of the whole. A policy of diversification can be equated broadly to an insurance contract, and there is a price to be paid in both cases. In the case of insurance the price is in the form of a premium, and in the case of diversification it is the cost of choosing less profitable but more diversified activities. It is also possible, indeed likely, that the expertise of top management will fall short of encompassing all the diverse skills and detailed knowledge called for in such a wide range of undertakings.

The managing director, like the conductor wielding a baton on his rostrum, has the often unenviable task of orchestrating the diverse activities into a purposeful concerto.