

МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ РОССИЙСКОЙ ФЕДЕРАЦИИ

ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО ОБРАЗОВАНИЮ

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SMALL BUSINESS (АНГЛИЙСКИЙ ЯЗЫК)

МЕТОДИЧЕСКИЕ УКАЗАНИЯ

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Методические указания состоят из пяти разделов, в которых представлены тексты экономической направленности; упражнения, способствующие расширению словарного запаса, развитию умений ориентироваться в профессиональной лексике и словообразовании.

Методические указания предназначены для студентов управленческих специальностей.

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Содержание

Introduction.....	4
1 Unit 1. Family Business Opportunities.....	5
2 Unit 2. Customer Satisfaction – The Key Ingredient.....	18
3 Unit 3. Selecting the Management Team and Form of Organization.....	26
4 Unit 4. Consumer Behaviour and Product Strategy.....	39
5 Unit 5. Managing Human Resources.....	51
Resources.....	68

Introduction

Данные методические указания предназначены для обучения студентов специальности «Домоведение» и других управленческих специальностей чтению специальной литературы как самостоятельно, так и в аудитории.

Цель данного методического указания – изучить темы, являющиеся основными в специальности управления, пополнить терминологический запас, а также расширить словарный запас, развить умения извлекать необходимую информацию, анализировать и систематизировать ее.

Методические указания состоят из пяти разделов, включающих специальные тексты, упражнения на освоение и закрепление лексики, а также проектные задания и задания практической направленности.

В каждом разделе предлагаются тексты для самостоятельной и аудиторной работы с использованием технологии развития критического мышления, что позволяет сформировать у студентов навыки работы с текстом, в группе и самостоятельно, не только при изучении иностранного языка, но и других дисциплин.

Тексты в разделах сопровождаются упражнениями на развитие навыков работы со словарем, расширение словарного состава как общеупотребительной, так и профессиональной лексики. Каждый раздел завершается упражнениями практической направленности для закрепления пройденного материала.

1 Unit 1. Family Business Opportunities

1.1 Class work. The family business: a unique institution

1.1.1 Exercise 1. Draw a family tree arranging the following words in a proper order

Son, daughter, mother, father, sister, brother, grandparents, nephew, niece, cousin, aunt, uncle, wife, husband, spouse.

1.1.2 Exercise 2. Before you read, make a chart and put down everything you know about family business

1.1.3 Exercise 3. Divide the class into groups of four to read texts A, B, C, and D. Then share the information read with the group mates

1.1.3.1 Text A. What Is a Family Business?

Vocabulary Notes:

entrepreneurship – предпринимательство;
to strive for - прилагать усилия, стараться, стремиться;
to pursue - заниматься ч.-л., иметь профессию;
to distinguish - отличать, выделять, служить отличительным признаком;
to keep the books - вести бухгалтерские книги;
to some extent - в некоторой степени.

One of the routes to entrepreneurship is that of entering a family business. Many sons and daughters of business owners have the option of joining the firm founded by their parents or grandparents. Family leaders may, in fact, strive for continuation of a family business over several generations, thereby creating opportunities for children or other relatives to pursue entrepreneurship in that business. Young family members must then decide, often during their college years, whether to prepare for a career in the family business. This decision should be based on an understanding of the dynamics of such a business. A number of features distinguish the family firm from other types of small businesses. Its decision making, for example, involves a mixture of family and business values.

<p>Family business – a company in which family members are directly involved in the ownership and/or functioning</p>

A family business is characterized by ownership or other involvement by two or more members of the same family in its life and functioning. The nature and extent of that involvement varies. In some firms, family members may work full-time or part-time. In a small restaurant, for example, one spouse may serve as host and manager,

the other may keep the books, and the children may work in the kitchen or as servers.

Most family businesses are small. However, family considerations may continue to be important even when such businesses become large corporations. Companies such as Wal-Mart Stores, Levi Strauss and Company, Ford Motor Company, and Marriott Corporation are still recognized, to some extent, as family businesses.

1.1.3.2 Text B. Family and Business Overlap

Vocabulary Notes:

to overlap - частично совпадать, перекрывать;
to nurture - выращивать, воспитывать, обучать;
in the short run - в ближайшем будущем, в ближайшее время;
tension - напряжение, напряженное состояние;
consistent - последовательный, стойкий;
to be concerned with - иметь отношение, касаться.

Any family business is composed of both a family and a business. Although these are separate institutions—each with its own members, goals, and values—they overlap in the family firm.

Families and businesses exist for fundamentally different reasons. The family's primary function relates to the care and nurture of family members, while the business is concerned with the production or distribution of goods and/or services. The family's goals are the fullest possible development of each member, regardless of limitations in ability, and the provision of equal opportunities and rewards for each member. The business's goals are profitability and survival. These goals may be either in harmony or in conflict, but it is obvious that they are not identical. In the short run, what's best for the family may or may not be what's best for the business.

In many cases, one decision may serve both sets of overlapping interests. However, the differing interests can also create tension and sometimes lead to conflict. Relationships among family members in a business are more sensitive than they are among unrelated employees. For example, a manager may become angry at an employee who consistently arrives late, but disciplining the employee is much more problematic if he or she is also a family member.

1.1.3.3 Text C. Decisions Affecting Both Business and Family

Vocabulary Notes:

concern - забота, дело, интерес;
to impact - ударять(ся), сталкиваться;
to opt – выбирать;
to complicate – усложнять;
to survive – выживать;
unduly - неправильно, чрезмерно.

The overlap of family concerns and business interests in the family firm complicates the management process. Many decisions impact both business and family. Consider, for example, a performance review session between a parent-boss and a child-subordinate. Even with nonfamily employees, performance reviews can be potential minefields. The existence of a family relationship adds emotional overtones that vastly complicate the review process.

Which comes first, the family or the business? In theory, at least, most people opt for the family. Few business owners would knowingly allow the business to destroy their family. In practice, however, the resolution of such tensions becomes difficult. For example, a parent, motivated by a sense of family responsibility, may become so absorbed in the business that he or she spends insufficient time with the children.

If the business is to survive, its interests cannot be unduly compromised to satisfy family wishes. To grow, family firms must recognize the need for professional management and the fact that family concerns must sometimes be secondary.

The health and survival of a family business require a proper balancing of business and family interests. Otherwise, results will be unsatisfactory to both.

1.1.3.4 Text D. Advantages of Family Involvement in the Business

Vocabulary Notes:

to derive - получать, извлекать;

through thick and thin - несмотря ни на какие препятствия, трудности;

commitment - обязательство;

reluctant - делающий ч.-л. с неохотой;

to hinge on - зависеть от;

to be at stake - быть поставленным на карту, находиться под угрозой.

Problems associated with family businesses can easily blind young people to the advantages that can be derived from participation of family members in the business. The many positive values associated with family involvement should be recognized and used in the family firm. A primary benefit comes from the strength of family relationships. Members of the family are drawn to the business because of family ties, and they tend to stick with the business through thick and thin. A downturn in business fortunes might cause nonfamily managers to seek greener pastures elsewhere. A son or daughter, however, is reluctant to leave. The family name, the family welfare, and, possibly, the family fortune are at stake. In addition, a person's reputation as a family member may hinge on whether he or she can continue the business that Mom or Grandfather built.

Family members may also sacrifice income to keep a business going. Rather than draw large salaries or high dividends, they permit such resources to remain in the business for current needs. Many families have gone without a new car or new furniture long enough to let the new business get started or to get through a period of financial stress.

Some family businesses use the family theme in advertising to distinguish

themselves from their competitors. Such advertising campaigns attempt to convey the fact that family-owned firms have a strong commitment to the business, high ethical standards, and a personal commitment to serving their customers and the local community.

1.2 Class Work. The culture of a family business

1.2.1 Exercise 1. Look through the text and prove the following statements

1 The way the firm is doing business and its priorities is called organizational culture.

2 In a family business the values of a founder can become the values of both his family and business.

3 A number of cultural patterns can be applied in some aspects of family firms.

Vocabulary Notes:

priority - приоритет, порядок срочности, очередности;

particular - индивидуальный, частный, отдельный, особый;

to pick up - подхватить, научиться;

distinctive - отличительный, характерный;

competitive advantage - конкурентное преимущество;

to cater (to, for) - потворствовать, угождать;

to discern - различать, распознавать, отличать, проводить различие;

to appreciate - высоко ценить, оценивать по достоинству;

commitment – обязательство;

legacy - наследство, наследие;

facet - аспект, грань.

Family firms, like other business organizations, develop certain ways of doing things and certain priorities that are unique to each particular firm. These special patterns of behaviors and beliefs are often described as **organizational culture**. As new employees and family members enter the business, they tend to pick up these special viewpoints and ways of operating.

Organizational culture – patterns of behaviors and beliefs that characterize a particular firm

The Founder's Imprint on the Culture

The distinctive values that motivate and guide an entrepreneur in the founding of a firm may help to create a competitive advantage for the new firm. For example, the founder may cater to customer needs in a special way and make customer service a guiding principle for the firm. The new firm may go far beyond normal industry practices in making sure customers are satisfied, even if it means working overtime or making a delivery on Saturday. Those who work in the business quickly learn that customers must always be handled with very special care.

In a family business, the founder's core values may become part of both the business culture and the family code—"the things we believe as a family." John

Robben, the second-generation CEO of RobToy, Inc., describes the legacy of his father, who founded the firm:

But he left us much more than his confidence, and his willingness to take a chance. My father never lied; nor did he ever cheat anyone or take a dollar he didn't honestly earn. He passed these values on, first to me and then, through me, to his grandchildren. It's funny how that worked. He never talked about these things, he just did them.

The last sentence above tells us something about the way cultural values are transmitted. Family members and others in the firm learn what's important and absorb the traditions of the firm simply by functioning as part of the organization.

Cultural Patterns in the Firm

The culture of a particular firm includes numerous distinctive beliefs and behaviors. By examining those beliefs and behaviors closely, we can discern various cultural patterns that help us understand the way in which the firm functions.

W. Gibb Dyer, Jr., a professor at Brigham Young University, has identified a set of cultural patterns that apply to three facets of family firms: the actual business, the family, and the governance (board of directors) of the business.

An example of a business pattern is a firm's system of beliefs and behaviors concerning the importance of quality. Members of an organization tend to adopt a common viewpoint concerning the extent to which effort, or even sacrifice, should be devoted to product and service quality. When leaders of a firm consistently demonstrate a commitment to quality, they encourage others to appreciate the same values. By decisions and practices that place a high priority on quality, therefore, leaders in a family business can build a business pattern that exhibits a strong commitment to producing high-quality goods and services.

1.3 Home Assignment. Family roles and relationships

1.3.1 Exercise 1. Read the text at home making notes the following way: in the left-side column put down the main statements, definitions or terms, in the right-side column your comments, thoughts, etc.

Vocabulary Notes:

simultaneous – одновременный;

to exert - напрягать (силы), оказывать влияние;

diligence - прилежание, усердие старание;

to counsel - давать совет, рекомендовать;

to perplex - ставить в тупик, запутывать, усложнять;

integral - неотъемлемый, существенный, целый;

to eclipse - затмевать, заслонять;

to dissipate - расточать, растрчивать (время, силы);

zest - интерес, энергия, живость;

strain – напряжение;

collaboration - сотрудничество, совместная работа;

to groom for - готовить к определенной деятельности, карьере;
aptitude - склонность, пригодность, способности;
bent - склонность, наклонность;
aspiration - стремление, сильное желание (достичь ч. –л.)
mould (AmE mold) - форма, лекало, шаблон; характер;
self-esteem - чувство собственного достоинства, самоуважение;
on one's own - самостоятельно, по собственной инициативе.

Mom or Dad, the Founder

A common figure in family businesses is the man or woman who founded the firm and plans to pass it on to a son or a daughter. In most cases, the business and the family grow simultaneously. Some founders achieve a delicate balance between their business and family responsibilities. Others must exert great diligence to squeeze out time for weekends and vacations with the children.

Entrepreneurs who have children typically think in terms of passing the business on to the next generation. Parental concerns involved in this process include the following:

- Does my son or daughter possess the temperament and ability necessary for business leadership?

- How can I, the founder, motivate my son or daughter to take an interest in the business?

- What type of education and experience will be most helpful in preparing my son or daughter for leadership?

- What timetable should I follow in employing and promoting my son or daughter?

- How can I avoid favoritism in managing and developing my son or daughter?

- How can I prevent the business relationship from damaging or destroying the parent-child relationship?

Of all the relationships in a family business, the parent-child relationship has been the most troublesome. The problem has been recognized informally for generations. In more recent years, counseling has developed, seminars have been created, and books have been written about such relationships. In spite of this extensive attention, however, the parent-child relationship continues to perplex numerous families involved in family businesses.

Couples in Business

Some family businesses are owned and managed by husband-wife teams. Their roles may vary depending on their backgrounds and expertise. In some cases, the husband serves as general manager and the wife runs the office. In other cases, the wife functions as operations manager and the husband keeps the books. Whatever the arrangement, both parties are an integral part of the business.

A potential advantage of the husband-wife team is the opportunity it affords a couple to share more of their lives. For some couples, however, the potential benefits become eclipsed by problems related to the business. Differences of opinion about business matters may carry over into family life. And the energies of both parties may be so dissipated by their work in a struggling company that little zest remains for a

strong family life.

Adele Bihn and Murray P. Heinrich of San Jose, California have experienced both the joys and strains of working together as business partners. After 12 years of marriage and collaboration in their business, Data Marketing, Inc., they are described as "still blissfully happy." Adele, mother of their four children, owns 50 percent of the company and serves as president. Murray owns the other 50 percent and heads up product research. To maintain their happiness, they must deal with strains imposed by the business. They have worked together to resolve these pressures by using a variety of methods, including semiannual visits with a marriage counselor, annual away-from-work business strategy sessions, Saturday morning breakfast dates without the children, and annual separate vacations. Their experience shows that entrepreneurial couples can maintain good marriages, but it also shows that such couples must devote special effort to both business and family concerns.

Sons and Daughters

Should sons and daughters be groomed for the family business, or should they pursue careers of their own choosing? In the entrepreneurial family, a natural tendency is to think in terms of a family business career and to push a child, either openly or subtly, in that direction. Little thought, indeed, may be given to the basic issues involved, which include the child's talent, aptitude, and temperament. The child may be a chip off the old block but may also be an individual with different bent and aspirations. He or she may prefer music or medicine to the world of business and may fit the business mold very poorly. It is also possible that the abilities of the son or daughter may simply be insufficient for a leadership role. (Of course, a child's talents may be underestimated by parents simply because there has been little opportunity for development.)

Another issue is personal freedom. We live in a society that values the right of the individual to choose his or her own career and way of life. If this value is embraced by a son or daughter, that child must be granted the freedom to select a career of his or her own choosing.

A son or daughter may feel a need to go outside the family business, for a time at least, to prove that "I can make it on my own." To build self-esteem, he or she may wish to operate independently of the family. Entering the family business immediately after graduation may seem stifling—"continuing to feel like a little kid with Dad telling me what to do."

If the family business is profitable, it does provide opportunities. A son or daughter may be well advised to give serious consideration to accepting such a challenge. If the business relationship is to be satisfactory, however, family pressure must be minimized. Both parties must recognize the choice as a business decision as well as a family decision—and as a decision that may conceivably be reversed.

1.3.2 Exercise 2. Translate the following text in written form

Special features of family firm management

The complexity of relationships in family firms creates a demand for enlightened management. To a considerable extent, this just means good professional management. However, certain special techniques are useful in dealing effectively with the complications inherent in the family firm.

The Need for Good Management

Good management is necessary for the success of any business, and the family firm is no exception. Significant deviations for family reasons from what we might call good management practices, therefore, only serve to weaken the firm. Such a course of action runs counter to the interests of both the firm and the family. For the benefit of both, we suggest three management concepts that are particularly relevant to the family firm:

1 *A family firm must be able to rely on the competence of its professional and managerial personnel.* It cannot afford to accept and support family members who are incompetent or who lack the potential for development.

2 *Favoritism in personnel decisions must be avoided.* If possible, the evaluation of family members should involve the judgment of non-family members—those in supervisory positions, outside members of the board of directors, or managers of other companies in which family members have worked.

3 *Plans for succession, steps in professional development, and intentions regarding changes in ownership should be developed and discussed openly.* Founders who recognize the need for managing the process of succession can work out plans carefully rather than drift toward it haphazardly. Lack of knowledge regarding the plans and intentions of key participants creates uncertainty and possible suspicion. The planning process can begin as the founder or the presiding family member shares his or her dream for the firm and family participation in it.

The family firm is a business—a competitive business. The observance of these and other fundamental precepts of management will help the business thrive and permit the family to function as a family. Disregard of such considerations will pose a threat to the business and impose strains on family relationships.

1.3.3 Exercise 3. Read the text and render the main idea of it

Vocabulary notes:

consideration - рассмотрение, обсуждение, внимание, соображение;

inside track - выгодное положение, преимущество;

advancement - успех, прогресс, продвижение;

frustration - расстройство (планов), крушение (надежд), разочарование;

to negotiate - вести переговоры, договариваться;

to buy out – выкупать;
to aspire - стремиться;
feud - длительная вражда, междоусобица;
to perceive - воспринимать, понимать, осознавать, постигать, ощущать;
hazard - риск, опасность;
to plague - досаждать, надоедать, беспокоить.

Nonfamily Employees in a Family Firm

Even those employees who are not family members are affected by family considerations. In some cases, their opportunities for promotion are lessened by the presence of family members who seem to have the inside track. What parent is going to promote an outsider over a competent daughter or son who is being groomed for future leadership? The potential for advancement of non family members, therefore, may be limited, and they may experience a sense of unfairness and frustration.

One young business executive, for example, worked for a family business that operated a chain of restaurants. When hired, he had negotiated a contract that gave him a specified percentage of the business based on performance. Under this arrangement, he was doing extremely well financially—that is, until the owner called on him to say, "I am here to buy you out." When the young man asked why, the owner replied, "Son, you are doing too well, and your last name is not the same as mine!"

The extent of limitations on non-family employees will depend on the number of family members active in the business and the number of managerial or professional positions in the business to which non-family employees might aspire. It will also depend on the extent to which the owner demands competence in management and maintains an atmosphere of fairness in supervision. To avoid future problems, the owner should make clear, when hiring nonfamily employees, the extent of opportunities available and identify the positions, if any, that are reserved for family members.

Those outside the family may also be caught in the crossfire between family members who are competing with each other. Family feuds make it difficult for outsiders to maintain strict neutrality. If a non-family employee is perceived as siding with one of those involved in the feud, he or she will lose the support of other family members. Hard-working employees often feel that they deserve hazard pay for working in a firm plagued by an unusual amount of family conflict.

1.4 Homereading. Transfer of Ownership

1.4.1 Exercise 1. Remember the following terms:

succession - наследование, правопреемство;
inheritance - наследование, наследство;

estate - имущество, состояние;
share - доля, часть, пай; *брит.* акция;
holdings – вклады;
to bequeath - завещать имущество;
tax – налог;
warehouse - склад, хранилище, оптовый магазин;
distributor - агент по продаже, оптовый торговец;
assets - активы, средства, капитал, фонды, имущество;
business property - собственность фирмы;
monetary values - денежные ценности.

A final and often complex step in the succession process in the family firm is the transfer of ownership. Questions of inheritance affect not only the leadership successor but also other family members having no involvement in the business. In distributing their estate, parents-owners typically wish to treat all their children fairly, both those involved in the business and those on the outside.

One of the most difficult decisions is determining the future ownership of the business. If there are several children, for example, should they all receive equal shares? On the surface, this seems to be the fairest approach. However, such an arrangement may play havoc with the future functioning of the business. Suppose that each of five children receives a 20 percent ownership share even though only one of them is active in the business. The child active in the business—the leadership successor—becomes a minority stockholder completely at the mercy of relatives on the outside.

Ideally, the founder has been able to arrange his or her personal holdings to create wealth outside the business as well as within it. In this way, he or she may bequeath comparable shares to all heirs while allowing business control to remain with the child or children active in the business.

Tax considerations are relevant, of course, and they tend to favor gradual transfer of ownership to all heirs. As noted above, however, transfer of equal ownership shares to all heirs may be inconsistent with future efficient operation of the business. Tax laws should not be allowed to blind one to possible adverse effects on management.

One creative ownership transfer plan was worked out by a warehouse distributor in the tire industry. The distributor's son and probable successor was active in the business. The distributor's daughter was married to a college professor at a small southern university. Believing the business to be their most valuable asset, the owner and his wife were concerned that both the daughter and the son receive a fair share. Initially, the parents decided to give the business real estate to their daughter and the business itself to their son, who would then pay rent to his sister. After discussing the matter with both children, however, they developed a better plan whereby both the business property and the business would go to the son.

The daughter would receive all nonbusiness assets plus an instrument of debt from her brother, intended to balance the monetary values. This plan was not only fair but also workable in terms of the operation and management of the firm.

Planning and discussing the transfer of ownership is not easy, but such action is recommended. Over a period of time, the owner must reflect seriously on family talents and interests as they relate to the future of the firm. The plan for transfer of ownership can then be firmed up and modified as necessary when it is discussed with the children or other potential heirs.

1.4.2 Exercise 2. Remember the following phraseological units

in the short run ≠ in the long run	в ближайшее время ≠ в конечном счете, в конце концов
through thick and thin	при всех обстоятельствах, несмотря ни на какие трудности, препятствия
to be at stake	находиться под угрозой, быть поставленным на карту
between two fires	между двух огней, в безвыходном положении
on the surface	на первый взгляд, поверхностно, внешне
to cry/make/play havoc	нанести тяжелый удар, разрушать, производить беспорядок
at the mercy of sb, sth	во власти к.-л., или ч.-л.
greener/new/fresh pastures	новая и другая ситуация, особенно лучшая работа
to be a chip off the old block	быть очень похожим на своих родителей, особенно на отца

1.4.3 Exercise 3. Arrange the following words into 2 columns: synonyms and antonyms

Intensive, full-time, secondary, day-time, include, primary, evening, exclude, part-time, extensive

1.4.4 Exercise 4. Complete the following chart:

verb	noun	adjective	person
manage	management	managerial	Manager or managing entrepreneur
own			
	foundation	-----	
		competitive	
	employment		
produce			

1.4.5 Exercise 5. Remember the difference in the meaning of the following words:

word	definition	example
purpose	The result that you intend to achieve when you do something or plan something	<i>The purpose</i> of the Prince's tour is to attend a conference
aim	What you are hoping to achieve by plan, action, or activity, which is what makes you do it	The council's <i>aim</i> was to improve services and cut costs.
object	The intended result of a plan, action, or activity, especially when this may be difficult to achieve	The <i>object</i> of the research is to find a cure for this illness.
objective	A word used especially in business or politics meaning the result that someone is working towards	One of the <i>objectives</i> behind our current advertising campaign is to increase sales overseas
goal	What a person, organization, or country hopes to achieve in the future, even though this might take quite a long time	The company's <i>goal</i> is to become world leaders in the home computer market
target	The exact result that a person or organization intends to achieve by doing something, often the amount of money they want to get	The government is struggling to reach its original <i>target</i> of \$23 billion in spending cuts.

1.4.6 Exercise 6. Remember the following terms:

Distribution, production, profitability, customer, delivery, income, benefit, salary, dividend, consumer, subordinate, employee.

1.4.7 Exercise 7. Add prefixes in-, un-, mis-, il-, ir-, dis- to the following words

Sufficient, possible, responsible, satisfactory, advantage, formally, dependent, certainty, competent, consistent.

1.4.8 Exercise 8. Remember the difference in the meaning

word	definition	example
allowance	An amount of money that someone receives regularly, which they don't earn by working	Some students have <i>an allowance</i> from their parents
pension	An amount of money that old people receive regularly from the government, their former employer, or insurance company after paying in money over many years	He gets a pretty good <i>pension</i> from his old firm where he worked for 30 years
income	All the money that someone receives regularly, for example from their job, from their savings or from the government	Average <i>incomes</i> have risen by 4-5% over the past year.
welfare	An American word meaning the money that is paid by the government to people without jobs	The amount of money that the government spends on <i>welfare</i> has halved in the past decade
benefit	Money that people receive from the government if they have no job, do not earn a lot, or are sick	There are several <i>benefits</i> you can claim if are unemployed

1.4.9 Exercise 9. Discuss the factors that make the family business unique

- Family members have a special involvement in a family business.
- Business interests (production and profitability) overlap family interests (care and nurturing) in a family business.
- The advantages of a family business include a strong commitment of family members and focus on people, quality, and long-term goals.

1.4.10 Exercise 10. Explain the cultural context of the family business

- Special patterns of belief and behavior constitute the family business culture.
- The founder often leaves a deep imprint on the culture of a family firm.

1.4.11 Exercise 11. Outline the complex roles and relationships involved in a family business

- A primary relationship is that between founder and son or daughter.
- Some couples in business together find their relationship with each other strengthened, while others find it weakened.
- Sons, daughters, in-laws, and other relatives may experience collaboration or conflict with other relatives.

1.4.12 Exercise 12. Identify management practices that enable a family business to function effectively

- Good management practices are very important in a family business.
- Family members should be treated fairly and consistently in accordance with their ability and performance.
- Motivation of nonfamily employees can be enhanced by open communication and fairness.
- Family retreats bring all family members together to discuss business and family matters.
- Family councils provide a formal framework for the family's ongoing discussion of family and business issues.

1.5 Experiential exercises

1 Interview a college student who has grown up in a family business about the way he or she may have been trained or educated, both formally and informally, for entry into the business. Prepare a brief report, relating your findings.

2 Interview another college student who has grown up in a family business about parental attitudes toward his or her possible entry into the business. Submit a one-page report describing the extent of pressure on the student to enter the family business and the direct or indirect ways in which expectations have

been communicated.

3 Identify a family business and prepare a brief report on its history, including its founding, family involvement, and any leadership changes that have occurred.

4 Read and report on a biography or history book pertaining to a family in business or a family business.

1.6 Exploring the Web

With the keyboard search capability of the Internet, browse information appearing under the caption "family business." Prepare a one-page report identifying the kinds of data available, and include references to at least two academic programs having home pages on the Web.

2 Unit 2. Customer Satisfaction - the Key Ingredient

2.1 Classwork

2.1.1 Exercise 1. Remember terms that you'll come across in the text

competitive edge - конкурентное преимущество;

competitive advantage - конкурентное преимущество;

notch - незначительное изменение курса валют или цены;

customer - покупатель, заказчик, клиент;

consumer – потребитель;

dealer - торговец, дилер, торговый агент;

chief executive - руководитель высокого ранга;

competitor – конкурент;

checkbook - чековая книжка;

overdraft - кредит по текущему счету;

charge - цена, плата; расходы, издержки;

to refund - возвращать, возмещать (деньги, убытки)

Vocabulary Notes:

to split - делить, дробить, разбивать на части;

top-notch - (разг.) превосходный, первоклассный;

survey - обзор;

to reveal - открывать, показывать, обнаруживать;

to summarize - подводить итог;

to dismiss - отделиваться от ч.-л.;

complaint – жалоба;

to vest authority - облекать полномочиями, властью;

at the expense of - за ч.-л. счет;

to prosper – процветать;
to implement - обеспечивать выполнение, осуществлять;
disgruntled - в плохом настроении, рассерженный, раздраженный;
to drop off - довести до, подбросить на машине.

customer satisfaction strategy –
a marketing plan that emphasizes
customer service

2.1.2 Exercise 2. Read the text

Customer service can provide a competitive edge for small firms regardless of the nature of the business. A **customer satisfaction strategy** is a marketing plan that has customer satisfaction as its goal. Such a strategy applies to consumer products and services as well as industrial products. Customer service should be the rule rather than the exception.

The use of outstanding customer service to earn a competitive advantage is certainly not new. Longtime retailer Stanley Marcus, of Dallas-based Neiman-Marcus, is famous for his commitment to customer service. What is relatively new to small firms is the recognition that top-notch customer service is smart business.

A recent survey by *Communication Briefings* revealed that, in general, customers do not feel they get what they deserve. Responses to the question "How would you rate the quality of customer service you receive from most organizations you do business with?" are summarized as follows:

Excellent: 6 percent
Good: 45 percent
Fair: 43 percent
Poor: 5 percent

Here are some other findings of the study:

- 1 Over one-third of the respondents said the biggest customer service mistake was failing to make customers feel important.
- 2 Almost one-fourth of the respondents indicated that clerks are rude to the customers and management dismisses customer complaints.
- 3 Nearly one-half of the respondents said that in the past year they had ceased doing business with three or more businesses because of poor customer service.

What is the special significance of these statistics for small businesses? The answer is that small firms are *potentially* in a much better position to achieve customer satisfaction than are big businesses. Why? Ask yourself if the problems identified by the survey are more solvable within firms having fewer employees. For example, with fewer employees, a small firm can vest authority for dealing with complaints in each employee. On the other hand, a large business will usually charge a single individual or department with that responsibility.

Consider the following two firms' success with customer service tactics. Sewell Village Cadillac, a car dealer in Dallas, Texas, is famous for its customer service. Its owner, Carl Sewell, began the service journey in 1967 when Sewell Village was in third place among the three Dallas Cadillac dealers. Sewell "realized that most people didn't like doing business with car dealers. . . . They

looked forward to seeing us about as much as they did going to the dentist," he says. Therefore, he simply began asking customers what they didn't like about car dealers. Three points of major dissatisfaction were identified—service hours, being without a car during service, and repair done incorrectly. By responding to these concerns, Sewell Village Cadillac increased its customer satisfaction rating.

Another firm reaping the benefits of providing superior customer satisfaction is the Phelps Country Bank, headquartered in Rolla, Missouri. This little bank has prospered at the expense of its big competitors because of its chief executive Emma Lou Brent, who has developed a different kind of banking environment. The following are among the customer service strategies implemented by the bank's 55 employees:

- *The lobby opens five minutes before 9:00 A.M. and closes five minutes after 3:00 P.M.—there are no disgruntled customers peering in and looking angrily at their watches.*

- *[A customer] is upset because he lost track of his checkbook balance and now doesn't want to pay the overdraft charge? A rep . . . might refund the amount if she thinks it was an honest mistake. Or she might propose splitting it with him.*

- *Employees do not keep customers waiting while they finish paperwork.*

- *The bank's newspaper ads carry lending officers' home phone numbers, as do the officers' business cards. Customers are encouraged to call nights or weekends on urgent matters.*

High levels of customer service do not come cheaply. There are definite costs associated with offering superior service before, during, and after a sale. However, many customers are willing to pay for good service. These costs can be reflected in a product's or service's price, or they can sometimes be scheduled separately, based on the amount of service requested. For example, David and Linda West, owners of San Luis Sourdough Co. in San Luis Obispo, California, price according to how much service their clients (supermarkets and specialty food stores) require. "If a supermarket is happy to have the bread dropped off at the back door, the wholesale price is \$0.97. If the store wants to be able to return day-old bread for full credit, the cost is \$1.02 a loaf." The Wests figure the price covers the cost of the service.

Because there is a great deal of current interest in applying the principles of total quality management to controlling customer service and creating a competitive advantage, we will briefly examine this topic in the next section.

2.1.3 Exercise 3. Remember how to say and write numbers in English. Pay attention to the difference in the use of numbers in British and American English. In using decimals, to say "nought point five" for 0.5 is a more precise usage than "point five". In mathematics, science and technical contexts: BrE: Say *nought* or *zero*; AmE: Say *zero*

	Written	Spoken
Fractions	1/2	one-half
	1/3	one-third
	1/4	one-fourth/a quarter
	1/5	one-fifth
	1/8	one-eighth
	2/3	two-thirds
	3/4	three-fourths/three quarters
Decimals	1.0	one point oh
	.75	nought point seven five (Br E); zero point seven five (AmE)
	.6	nought point six
	2.5	two point five
	0.25	nought point two five
	.1	nought point one
Percentages	100 %	one hundred percent
	75%	seventy-five percent
	66.6%	sixty-six point six percent
	50%	fifty percent
	33.3%	thirty-three point three percent
	25%	twenty-five percent
	10%	ten percent

2.1.4 Exercise 4. Complete the following chart:

verb	noun	adjective	person
to consume			
			respondent
	complaint	-----	
		successful	
to consider			-----
		-----	dealer
	prosperity		

2.2 Home Assignment

Vocabulary Notes:

- to encompass - заключать (в себе);
- to tabulate - сводить в таблицы;
- undercover - тайный, секретный;
- to implement - осуществлять, выполнять.

2.2.1 Exercise 1. Read the text

Total quality management – (TQM) an all-encompassing management approach to providing high-quality products and services

Customer Service and Total Quality Management

Total quality management (TQM) is an umbrella term encompassing intensive quality control programs that have become popular in U.S. businesses in the past several years. TQM is rooted in the superior quality of Japanese products in the 1970s. Large U.S. manufacturers responded to the Japanese challenge with similar quality control programs.

Increasingly, small manufacturing firms are feeling the need to implement TQM, partly as a result of pressure from the big companies they supply. Other small firms are interested in TQM because they recognize the potential for creating a better competitive advantage. TQM principles, therefore, extend beyond manufacturing to firms offering final consumer products and services. We will briefly examine the elements of a TQM program as they relate to offering final consumer products and services.

Quality improvement starts with the culture of the organization. Consider the remarks of Jim Zawacki, owner and president of Grand Rapids Spring & Wire Products in Grand Rapids, Michigan—a small firm with 160 employees. Zawacki believes that "getting people to understand why we're in business" and building "trust, relationships, integrity, and communication" are the keys to developing the appropriate organizational culture for TQM. His firm is seeing results.

Entrepreneurs should place top priority on creating and controlling quality customer service. One recent study indicates that small firms are keenly aware of the importance of customer service when they compete with big business. Approximately 70 percent of the small firms surveyed mentioned "customer service" as a successful competitive tactic. Also note that "quality of employees" was mentioned quite frequently. Obviously, employees are critical ingredients in a quality customer service program.

Making customer satisfaction the number one priority is not necessarily as natural as it might seem. Business has used the phrase "The customer is always right" for decades, but have U.S. businesses achieved a high level of customer satisfaction? Here are some results of a survey for which one-half of the respondents were companies with 500 or fewer employees:

1 Only 57 percent of the businesses rate "meeting customer needs" as their number one priority.

2 In 62 percent of the companies, not everyone is aware of what customers do with the company's product or service.

3 Fewer than half of new products and services are developed or improved based on customer suggestions and complaints, despite an MIT study showing that the best innovations come from customers.

4 Only 59 percent of the firms contact lost customers; 7 percent do nothing when they lose a customer.

5 In some companies (17 percent), not even salespeople talk to customers. It gets worse for senior management (22 percent don't talk to them), marketing (29 percent), and R&D (67 percent).

6 Only 60 percent report that they base their competitive strategy primarily on "attention to customer needs." (And they say that only 29 percent of their competitors emphasize this.)

7 Thirty-three percent say that their marketing strategy aims to produce business from new, as opposed to repeat, customers.

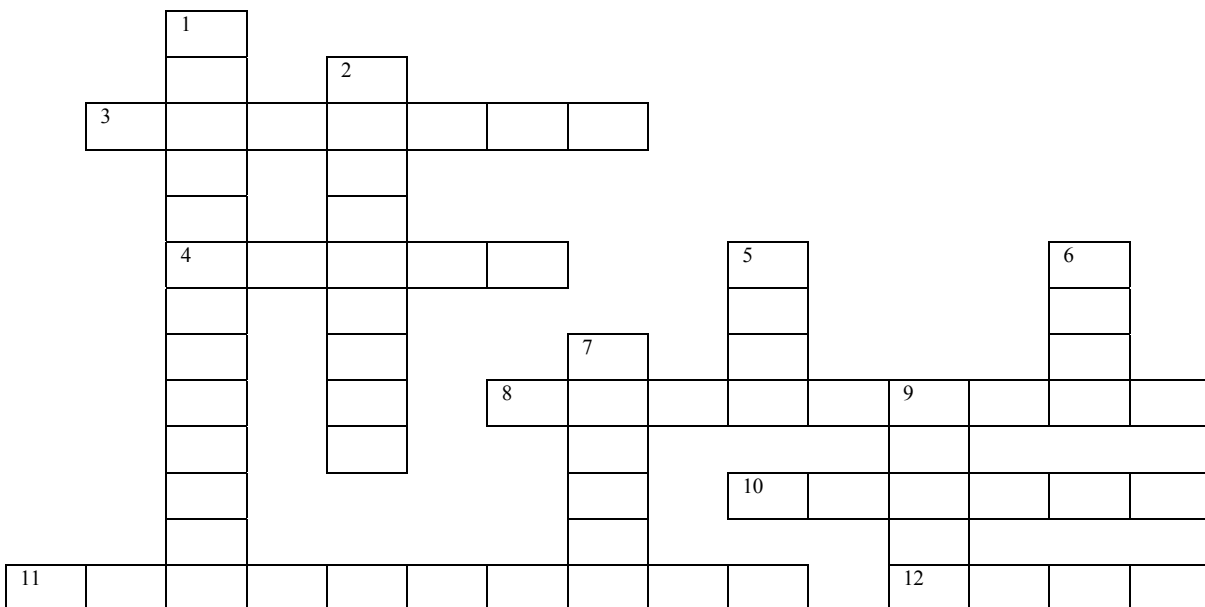
It seems fair to say that there is room to improve customer satisfaction.

2.2.2 Exercise 2. Read the text

Total Quality Management

Tom Dryden, of Dryden Vacuum Cleaners, believes in **quality**: "The **specifications** or **specs** of a product are exact instructions about its design, including its **dimensions** (size), how it is to be made, the materials to be used, etc. The objective of **quality control** is **conformity to specifications**, the idea that the product should be made exactly as it was intended, with **zero effects**: no faults at all. Things should be done **right first time** so we don't have to correct mistakes later in a process of **reworking**. We do **spot checks** every few minutes during production to ensure everything is going well.

We have a system of **total quality management** (TQM), including **quality circles**: groups of employees who meet regularly to suggest improvements."



Across:

- 3 See 6 down.
- 4, 5 down Right (5,4)
- 8 Could be length, height or width. (9)
- 11 Total quality (10)
- 12, 10 Making sure things are alright. (4, 6)

Down

- 1 What the designer decides. (13)
- 2 Doing it again when you shouldn't have to. (9)
- 5 See 4 across.
- 6, 3 across No mistakes at all. (4, 7)
- 7 A quality meets to suggest improvements. (6)
- 9 Short form of 1 down in plural. (5)

2.2.3 Exercise 3. Match the synonyms (there may be more than two synonyms)

To encompass, to produce, to evaluate, frequently, to assess, to be aware, often, to estimate, to realize, to manufacture.

2.2.4 Exercise 4. Remember the following words that are translated differently, though they seem to be familiar. They are called false friends

- accurate - точный, а не аккуратный;
- actual - действительный, а не актуальный;
- data - данные, а не дата;
- decade - десятилетие, а не декада;
- familiar - известный, знакомый, а не фамильярный или фамилия;
- fraction - дробь (матем.), а не фракция;
- production - производство, а не продукция;
- receipt - квитанция, чек (из магазина), получение, а не рецепт;
- critical - очень важный, а не только «критический»;
- interest - процент (в банке), а не только интерес;
- to realize - понимать, представлять себе (реже – реализовывать).

2.2.5 Exercise 5. Translate the text in written form

Evaluating Customer Service

The most common way that problems with customer service are recognized is through customer complaints. Every firm strives to eliminate customer complaints. When they occur, however, they should be analyzed carefully to discover possible weaknesses in customer service.

A customer complaint form can be an effective tool for handling customer complaints. For example, Electronic Controls Co., based in Boise, Idaho, had its customer service team develop a way to tabulate complaints and deal with them systematically. A secretary enters each complaint into a database, which is used to generate a monthly report that summarizes the complaints. "Once we know what the most common complaints are, we can identify what's causing them," says Ed Zimmer, who is in charge of sales and marketing.

Managers can also learn about customer service problems through personal observations and undercover techniques. A manager can evaluate service by talking directly to customers or by playing that role anonymously—for example,

by a telephone call to one's own business. Some restaurants and motels invite feedback on customer service by providing comment cards to customers. Whatever method is used, evaluating customer service is essential to a business.

2.2.6 Exercise 6. Discuss the importance of customer service to the successful operation of a small business

1 It is important that small firms use outstanding service to gain a competitive advantage.

2 Small firms are potentially in a much better position than are large firms to implement a customer satisfaction strategy.

3 Total Quality Management is a term describing programs devoted to creating and controlling quality products and customer service.

4 A customer complaint form is an effective tool for handling customer complaints.

2.3 Discussion Questions

1 Think of one experience as a buyer of a product or service in which you were extremely displeased. What was the primary reason for your dissatisfaction?

2 What are the two basic strategy options for creating a competitive advantage, as discussed in the chapter?

3 What advantages, if any, does a small firm have in creating a competitive advantage?

4 Discuss the role of quality customer service in the creation of a competitive advantage.

5 Think of a recent customer service policy you encountered as a consumer. What made the service you received a special event?

6 What is meant by the term *total quality management*?

2.4 Experiential exercises

1 Visit a local small retailer and ask the manager to describe the firm's customer service policies.

2 Interview several friends regarding their satisfaction or dissatisfaction with a shopping experience in a small retail firm. Summarize their stories and report to the class.

3 Unit 3. Selecting the Management Team and Form of Organization

3.1 Homereading

Vocabulary Notes:

to envision - представлять себе, рисовать в своем воображении;
devastating - опустошительный, разрушительный, огромный;
complementary - дополнительный, добавочный;
compatibility – совместимость;
to rescue - спасать, избавлять, освобождать;
jumble - беспорядок, путаница.

New terms:

compensation arrangements - соглашения о компенсации;
warrant scrutiny - проверка гарантии;
venture - коммерческое предприятие;
startup - вновь созданная компания; пуск в действие;
investor – вкладчик;
sole entrepreneur - монопольный предприниматель.

3.1.1 Exercise 1. Read the following text. Summarize what you've read by filling in two columns: the left-side with facts, statements, figures; the right-side one with your comments

The Management Team

Unless a firm is extremely small, the founder will not be the only individual in a leadership role. The concept of a management team, therefore, is relevant. In general, the management team, as we envision it here, includes both managers and other professionals or key persons who help give a new company its general direction

Management team – managers and other key persons who give a company its general direction
--

Value of a Strong Management Team

The quality of the management team is generally recognized as vital to a firm's effective operation. Poor management is a significant contributor to business failure. Strong management can make the best of any business idea and provide the resources to make it work. Of course, even a highly competent management team cannot rescue a firm that is based on a weak business concept or that lacks adequate resources.

A management team brings greater strength to many ventures than does an individual entrepreneur. For one thing, a team can provide a diversity of talent to meet various staffing needs. This is particularly true for high-tech startups, but it

maybe true for any venture. Also, a team can provide greater assurance of continuity since the departure of one member of a team would be less devastating than the departure of a sole entrepreneur.

The importance of strong management to startups is evident in the attitudes of prospective investors. From an investor's perspective, the single most important factor in the decision to invest or not is the quality of a new venture's management.

Building a Complementary Management Team

The management team includes individuals with supervisory responsibilities—for example, a financial manager who supervises a small office staff—and all others who play key roles in the business even though they are not supervisors. A new firm, for example, might begin with only one individual conducting its marketing effort. Because of the importance of the marketing function, that person would be a key member of the management team.

The type of competence needed in a management team depends on the type of business and the nature of its operations. For example, a software development firm and a restaurant call for different types of business experience. Whatever the business, a small firm needs managers with an appropriate combination of educational background and experience. In evaluating the qualifications of those who will fill key positions, the entrepreneur needs to know whether an applicant is experienced in a related type of business, whether the experience has included any managerial responsibilities, and whether the individual has ever functioned as an entrepreneur.

Not all members of a management team need competence in all areas. The key is balance. Is one member competent in finance? Does another have an adequate marketing background? Is there someone who can supervise employees effectively?

Even when entrepreneurs recognize the need for team members with varying expertise, they frequently seek to duplicate their own personalities and management styles. While personal compatibility and cooperation of team members are necessary for effective collaboration, a healthy situation exists when each team member is unique. Dr. Stephen R. Covey, a management consultant, puts it this way: *“In my opinion, the No. 1 mistake that most entrepreneurs make is that they never know how to develop a complementary team. They’re always kind of cloning themselves, that is, trying to turn their employees into duplicates of themselves. ... You have to empower other people and build on their strengths to make your own weaknesses irrelevant.”*

Planning the company's leadership, then, should produce a team that is able to give competent direction to the new firm. The management team should be balanced in terms of covering the various functional areas and offering the right combination of education and experience. It may comprise both insiders and outside specialists.

In addition to selecting members of the management team, the entrepreneur must design an organizational structure. Relationships among the various positions need to be understood. Although such relationships need not be worked out in great detail, planning should be sufficient to permit an orderly functioning of the enterprise and to avoid a jumble of responsibilities that invites conflict.

The management plan should be drafted in a way that provides for business growth. Unfilled positions should be specified, and job descriptions should spell out

the duties and qualifications for such positions. Methods for selecting key employees should also be explained. For a partnership, the partners need to look ahead to the possible breakup of the partnership. The ownership share, if any, needs to be thought out carefully. Similarly, compensation arrangements, including bonus systems or other incentive plans for key organization members, warrant scrutiny and planning.

3.2 Class work

3.2.1 Exercise 1. Remember the following terms:

proprietor - собственник, владелец;
liability - ответственность, обязанность;
assets - активы, средства, капитал, имущество;
profit - польза, выгода, прибыль, доход;
to assume losses - предполагать, принимать на себя потери;
to bear risks - нести риск;
to pay debts - выплачивать долг;
tax-free advantage - налоговые льготы;
fringe benefit - дополнительные выплаты, льготы;
insurance – страхование;
to run the business - руководить предприятием;
to take over - купить компанию, выкупив большую часть акций;
withdrawal – изъятие;
net assets - чистая сумма активов;
accounting records - бухгалтерские счета;
to endorse - делать передаточную надпись, индоссировать;
beneficiary - получатель денег по аккредитиву.

Vocabulary Notes:

to terminate - положить конец, завершать;
contingency - случай(ность), непредвиденное обстоятельство;
conscious - сознающий, ощущающий;
exposure - подвергание риску, опасности;
hazardous - рискованный, опасный.

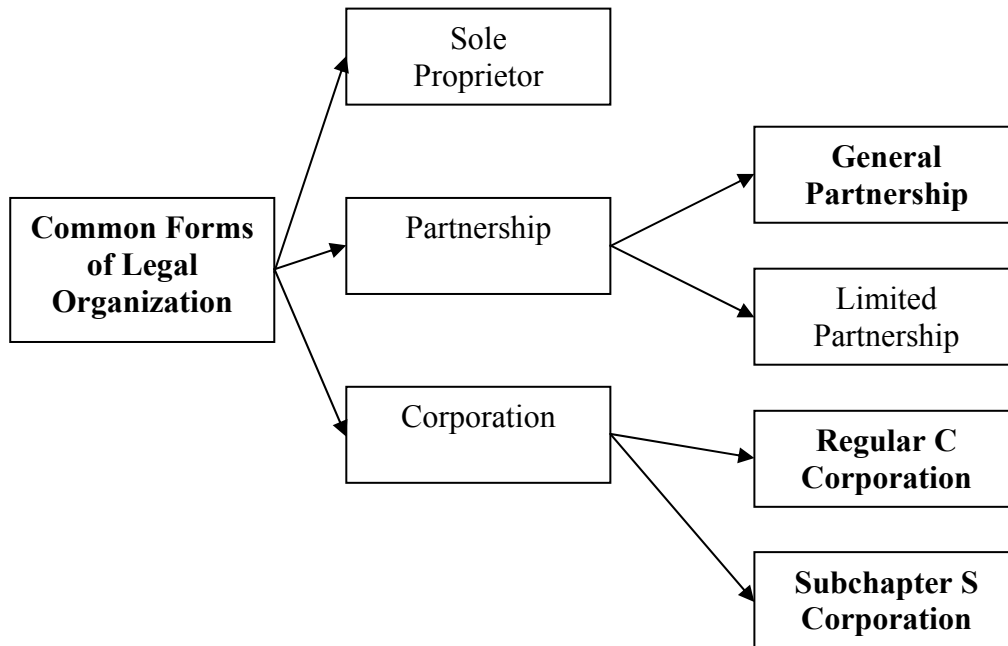
3.2.2 Exercise 2. Read the text

Legal forms of organization

Human resources—the people involved in the business—require a formal organizational structure in which to operate. We now turn our attention to the various legal forms of organization available to small businesses. Several options are appropriate only for very specialized applications. A new form, the limited liability company, is now recognized in some states. However, the forms currently in wide use by small business are the sole proprietorship, the partnership, and the corporation. Two basic types of

partnership exist—the general partnership and the limited partnership. The two types of corporation are the regular, or C, corporation and the Subchapter S corporation.

The sole proprietorship is the most popular form of organization among small businesses. This popularity is evident across all industries. Nevertheless, many small businesses operate as partnerships or as corporations, which suggests that there are circumstances that favor those forms. About 70 percent of the firms in the United States are sole proprietorships, 20 percent are corporations, and 10 percent are partnerships.



The Sole Proprietorship Option

A **sole proprietorship** is a business owned and operated by one person. An individual proprietor has title to all business assets, subject to the claims of creditors. He or she receives all of the business's profits but must also assume all losses, bear all risks, and pay all debts. A sole proprietorship is the simplest and cheapest way to start operation and is frequently the most appropriate form for a new business.

Sole proprietorship – a business owned and operated by one person

In a sole proprietorship, an owner is free from interference by partners, shareholders, directors, and officers. However, it lacks some of the advantages of other legal forms. For example there are no limits on the owner's personal liability; that is, the owner of the business has **unlimited liability**. This means that the owner's personal assets can be taken by creditors if the business fails. In addition, sole proprietors are not employees and cannot receive the tax-free advantage of the fringe benefits customarily provided by corporations, such as insurance and hospitalization plans.

Unlimited liability – owner's liability that extends beyond the assets of the business

The death of the owner terminates the legal existence of a business that is organized as a sole proprietorship. The possibility of the owner's death may cloud relationships between a business and its creditors and employees. It is important that

the owner have a will because the assets of the business minus its liabilities belong to the heirs. In a will, an owner can give an executor the power to run the business for the heirs until they can take it over or it can be sold.

Another contingency that must be provided for is the possible incapacity of the sole proprietor. If she or he were badly hurt in an accident and unconscious for an extended period, the business could be ruined. The sole proprietor can guard against this by giving a competent person a legal power of attorney to carry on in such circumstances.

In some cases, the sole proprietorship option is virtually ruled out by the circumstances. For example, if the nature of a business involves a high exposure to legal risks, as in the case of a manufacturer of a potentially hazardous, chemical-based product, a legal form that provides greater protection against personal liability will be required.

3.3 Home assignment

3.3.1 Exercise 1. Read the following text, fill in the table with facts, statements and your comments

Partnership – a voluntary association of two or more persons to carry on, as co-owners, a business for profit
--

Vocabulary Notes:

dissolution - ликвидация, закрытие, роспуск, расформирование;

in regard to – относительно, в отношении, что касается;

fraught – чреватый;

pros & cons - аргументы «за» и «против»;

dilution - уменьшение долевого участия акционеров в распределении чистого дохода;

equity - акционерный капитал, обыкновенная акция, собственные средства;

deterioration - порча, повреждение, износ;

inherent - присущий, неотъемлемый;

widget - (разг.) маленький предмет или оборудование, название которого вы не знаете;

to hunker down - сидеть на корточках;

to churn out - производить в больших количествах быстро и небрежно;

irreconcilable - непримиримый, противоречивый, несовместимый;

deterrent - отпугивающий, устрашающий, удерживающий.

The Partnership Option

A partnership is a voluntary association of two or more persons to carry on, as co-owners, a business for profit. Because of its voluntary nature, a partnership can be set up quickly without many of the legal procedures involved in creating a corporation. A partnership pools the managerial talents and capital of those joining together as

business partners. However, partners do share unlimited liability.

Qualifications of Partners. Any person capable of contracting may legally become a business partner. Individuals may become partners without contributing capital or sharing in the assets at the time of dissolution. Such persons are partners only in regard to management and profits. The formation of a partnership, however, requires serious consideration of aspects other than legal issues. A strong partnership requires partners who are honest, healthy, capable, and compatible.

Operating a business as a partnership has its benefits, but it is also fraught with problems. When *Inc.* magazine surveyed individuals about their opinions regarding the partnership form of ownership, almost 60 percent of the respondents considered a partnership to be a "bad way to run a business." The respondents were also asked to identify what they believed to be good and bad qualities associated with the partnership form. Interestingly, few of the perceived pros or cons are directly associated with financial matters. For instance, only 6 percent of the respondents thought that the dilution of equity was a good reason not to have a partner. Instead, those disliking partnerships focused more on the deterioration of relationships. Many spoke of a partner's dishonesty at worst and differing priorities at best. However, some of the respondents who considered a partnership a bad way to run a business did note some redeeming qualities. Similarly, the advocates of a partnership noted some inherently bad qualities. Thus, the issue is not black and white. The important point of these findings is that a partnership should be formed only if it is clearly the best option when *all* matters are considered.

The following questions should be asked before choosing a business partner. The objective of these questions is to clarify expectations before a partnership agreement is finalized.

- *What's our business concept?* This is a big, broad topic, and sometimes it helps to ask a third party to listen in, just to see if the partners are on each other's wave length. First, the partners need to decide who will make the widgets and who will sell them. Then they need to talk about growth. Are they building the company to sell it, or are they after long-term growth? It's also important to discuss exactly how the business will be run. Do they want participative management, or will employees simply hunker down at machines and churn out parts? "If one guy is a fist pounder with a 'do-it-as-I-say' mentality, and the other believes that people ought to feel good about their jobs, that probably represents an irreconcilable difference," says Sam Lane, a consultant who works with partners.

- *How are we going to structure ownership?* It sounds great for two people to scratch out 50-50 on a cocktail napkin and leave it at that. But, in practice, splitting the company down the middle can paralyze the business. If neither is willing to settle for 49 percent, then the partners should build some arbitration into the partnership agreement.

- *Why do we need each other?* "I thought it would be much less scary with two of us," says Arthur Eisenberg, explaining his rationale for teaming up with his partner. That may be so, but bringing on a partner means sharing responsibility and authority. "If you are taking on a partner because you are afraid of going it alone, find some other way to handle the anxiety," advises Mardy Grothe, a

psychologist.

- *How do our life-styles differ?* The fact that one partner is single and the other has a family, for example, can affect more than just the time each puts in. It may mean that one partner needs to pull more money out of the business. Or it may affect a partner's willingness to take risks with the company. "All of this stuff needs to get talked out," says Peter Wylie, a psychologist. "The implications are profound."

As already suggested, the failure to clarify expectations is a frequent deterrent to building an effective working relationship.

Articles of partnership – a document that states explicitly the rights and duties of partners
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Partners' rights and duties should be stated explicitly and in writing in **articles of partnership**. These articles should be drawn up before the firm is operating and, at the very least, should cover the following items:

- 1 Date of formation of the partnership;
- 2 Names and addresses of all partners;
- 3 Statement of fact of partnership;
- 4 Statement of business purpose (s);
- 5 Duration of the business;
- 6 Name and location of the business;
- 7 Amount invested by each partner;
- 8 Sharing ratio for profits and losses;
- 9 Partners' rights, if any, regarding withdrawal of funds for personal use;
- 10 Provision for accounting records and their accessibility to partners;
- 11 Specific duties of each partner;
- 12 Provision for dissolution and sharing of the net assets;
- 13 Restraint on partners' assumption of special obligations, such as endorsing a note of another;
- 14 Provision for protection of surviving partners, decedent's estate, and so forth in the event of a partner's death.

Unless specified otherwise in the articles, a partner is generally recognized as having certain implicit rights. For example, partners share profits or losses equally if they have not agreed on a different ratio.

In a partnership, each partner has **agency power**, which means that a partner can bind all members of the firm. Good faith, together with reasonable care in the exercise of managerial duties, is required of all partners in a business. Since the partnership relationship is fiduciary in character, a partner cannot compete in business and remain a partner. Nor can a partner use business information solely for personal gain.

Agency power – the ability of any partner to legally bind in good faith the other partners

Termination of a Partnership. Death, incapacity, or withdrawal of any one of the partners ends a partnership and necessitates liquidation or reorganization of the business. While liquidation often results in substantial losses to all partners, it

may be legally necessary, because a partnership is a close personal relationship of the parties that cannot be maintained against the desire of any one of them.

This disadvantage may be partially overcome at the time a partnership is formed by stipulating in the articles that surviving partners can continue the business after buying the decedent's interest. This can be facilitated by having each partner carry life insurance that names the other partners as beneficiaries.

Limited liability – a partnership with at least one general partner and one or more limited partners

General partner – the partner with unlimited personal liability in a limited partnership

Limited partner – a partner who is not active in the management of a limited partnership and who has limited personal liability

The Limited Partnership. A small business sometimes finds it desirable to use a special form of partnership called the **limited partnership**. This form consists of at least one general partner and one or more limited partners. The **general partner** remains personally liable for the debts of the business. **Limited partners** have limited personal liability as long as they do not take an active role in the management of the partnership. In other words, limited partners risk only the capital they invest in the business. An individual with substantial personal assets can, therefore, invest money in a limited partnership without exposing his or her total estate to liability claims that might arise through activities of the business. If a limited partner becomes active in management, the limited liability is lost.

To form a limited partnership, partners must file a certificate of limited partnership with the proper state office. State law governs this form of organization.

3.4 Class Work

3.4.1 Exercise 1. Read the text and outline the main features of the corporation option

The Corporation Option

Corporation – a business organization that exists as a legal entity

Legal entity – a business organization that is recognized by the law as having a separate legal existence

Vocabulary Notes:

artificial - искусственный, притворный;

invisible - невидимый, незримый, неразличимый, незаметный;

intangible - неосязаемый, неуловимый, непостижимый;

contemplation - предположение, размышление, изучение;

to stipulate - обуславливать, ставить условием;
perpetual - вечный, бесконечный, пожизненный;
par - номинальная цена, номинал;
bylaw - уставные нормы (организации);
to confer - даровать, присваивать, присуждать;
collaboration - сотрудничество, совместная работа;
to reconcile - примирять, улаживать, согласовывать (мнения);
to wreak - давать выход, волю (чувству);
vulnerable - уязвимый, ранимый;
to oust - выгонять, занимать (чье-л.) место, вытеснять.

New Terms:

entity - экономическая единица, юридическое лицо;
to sue - предъявлять иск;
property - собственность, имущество;
charter – устав;
to charter – фрахтовать;
to contract debts - брать в долг, делать долги;
incorporation fee - плата за регистрацию в качестве юридического лица;
stockholder/shareholder – акционер;
to preempt- покупать прежде других;
share - доля, часть, акция;
to pay off debts - возмещать долги;
promissory - заключающий в себе обязательство, долговой.

In 1819, Chief Justice John Marshall of the United States Supreme Court defined a **corporation** as "an artificial being, invisible, intangible, and existing only in contemplation of the law." With these words, the Supreme Court recognized the corporation as a **legal entity**, meaning that a corporation can sue and be sued, hold and sell property, and engage in business operations that are stipulated in the corporate charter. For tax purposes, there are two types of corporations — C corporation and Subchapter S corporation — which are discussed in more detail later in this chapter.

The corporation is chartered under state laws. The length of its life is independent of its owners' (stockholders') lives. The corporation, and not its owners, is liable for debts contracted by the business. The directors and officers serve as agents to bind the corporation.

A corporate charter – the document that establishes a corporation existence

The Corporate Charter. To form a corporation, one or more persons must apply to the secretary of state for permission to incorporate. After preliminary steps, including payment of an incorporation fee, have been completed, the written application (which should be prepared by an attorney) is approved by the secretary of state and becomes the corporation's charter. In some states,

documents showing that the corporation exists are called *articles of incorporation* or *certificates of incorporation*. A **corporate charter** typically provides the following information:

- 1 Name of the company;
- 2 Formal statement of the company's formation;
- 3 Purposes and powers—that is, type of business;
- 4 Location of principal office in the state of incorporation;
- 5 Duration (perpetual existence, 50-year life and renewable charter, or other);
- 6 Classes and preferences of classes of stock;
- 7 Number and par (or stated) value of shares of each class of stock authorized;
- 8 Voting privileges for each class of stock;
- 9 Names and addresses of incorporators and first year's directors;
- 10 Names and addresses of and amounts subscribed by each subscriber to capital stock;
- 11 Statement of limited liability of stockholders (if required specifically by state law);
- 12 Statement of alterations of directors' powers, if any, from the general corporation law of the state.

A corporation's charter should be brief, in accord with state law, and broad in the statement of the firm's powers. Details should be left to the bylaws.

Stock certificate – a document specifying the number of shares owned by a stock holder

Pre-emptive right – the right of a stockholder to buy new shares of stock before they are offered to the public

Rights and Status of Stockholders. Ownership in a corporation is evidenced by **stock certificates**, each of which stipulates the number of shares owned by a stockholder. An ownership interest does not confer a legal right to act for the firm or to share in its management. It does provide the stockholder with the right to receive dividends in proportion to stockholdings—but only when the dividends are properly declared by the firm. Ownership of stock typically carries a **pre-emptive right**, or the right to buy new shares, in proportion to the number of shares already owned, before new stock is offered for public sale.

The legal status of stockholders is fundamental, of course, but it may be overemphasized. In many small corporations, the owners typically serve both as directors and as managing officers. The person who owns most or all of the stock can control a business as effectively as if it were a sole proprietorship. Thus, the corporate form works well for individual- and family-owned businesses, where maintaining control of the firm is important.

Major stockholders must be concerned about their working relationships, as well as their legal relationships, with other owners who are active in the business. Cooperation among all owners and managers of a new corporation is necessary for its success. Specifying legal technicalities is important, but it is an inadequate basis for

successful collaboration. Owners and the members of their management team need to clarify their expectations of each others' roles as best they can. Failure to have clear expectations about working relationships can result in one or more persons feeling that others serving as managers or co-owners are not honoring their word. In reality, the problem may result from not taking the time and effort to clarify and reconcile everyone's expectations. In short, unrealistic or unfulfilled expectations can wreak havoc within a business, in spite of the best intentions—and in spite of the best legal contracts.

Limited liability of Stockholders. To owners, their limited liability is one of the advantages of the corporate form of organization. Their financial liability is limited to the amount of money they have invested in the business. Creditors cannot require them to sell personal assets to pay off the corporation's debts. However, small corporations are often in somewhat shaky financial condition during their early years of operation. As a result, a bank that makes a loan to a small company may insist that the stockholders assume personal liability for the company's debts by signing the promissory notes not only as representatives of the firm but personally as well. Then, if the corporation is unable to repay the loan, the banker can look to the owners' personal assets to recover the amount of the loan. In this way, the corporate advantage of limited liability is lost.

Why would owners agree to personally guarantee a company's debt? Simply put, they may have no choice if they want the money. Most bankers are not willing to loan money to an entrepreneur who is not prepared to put his or her own personal assets at risk. If the entrepreneur is not confident enough about the business to risk his or her own funds, the banker will not put the bank's funds at risk.

The courts may also override the concept of limited liability for shareholders and hold them personally liable in certain unusual cases—for example, if personal and corporate funds have been mixed together or if the corporation was formed to try to evade an existing obligation.

Death or Withdrawal of Stockholders. Unlike ownership in a partnership, ownership in a corporation is readily transferable. Exchange of shares of stock is all that is required to convey an ownership interest to a different individual.

Stock of large corporations is exchanged constantly without noticeable effect on the operations of the business. For a small firm, however, a change of owners, though legally just as straightforward, can involve numerous complications. For example, finding a buyer for the stock of a small firm may prove difficult. Also, a minority stockholder in a small firm is vulnerable. If two of three equal shareholders in a small business sold their stock to an outsider, the remaining shareholder would then be at the mercy of that outsider. The minority stockholder might be removed from any managerial post he or she happened to hold or be legally ousted from the board of directors and no longer have any voice in the management of the business.

The death of a majority stockholder can also have unfortunate repercussions in a small firm. An heir, the executor, or a purchaser of the stock might well insist on direct control, with possible adverse effects for the other stockholders. To prevent problems of this nature from arising, legal arrangements should be made at the

time of incorporation to provide for management continuity by surviving stockholders, as well as for fair treatment of a stockholder's heirs. As in the case of the partnership, mutual insurance may be carried to ensure ability to buy out a deceased stockholder's interest. This arrangement would require an option for the corporation or surviving stockholders to (1) purchase the decedent's stock before it is offered to outsiders, and (2) specify the method for determining the stock's price per share. A similar arrangement might be made to protect remaining stockholders in case one of the owners wished to retire from the business at any time.

Subchapter S corporation – a type of corporation that is taxed by the federal government as a partnership

C corporation – a type of corporation that is taxed by the federal government as a separate legal entity

3.4.2 Exercise 2. Translate the following text in written form

The Subchapter S Corporation

The name **Subchapter S corporation** is derived from Subchapter S of the Internal Revenue Code, which permits a corporation to retain the limited-liability feature of a regular corporation, or **C corporation**, while being taxed as a partnership. To obtain S corporation status, a corporation must meet certain eligibility requirements:

- No more than 35 stockholders are allowed. Husband and wife count as one stockholder.
- All stockholders must be individuals or certain qualifying estates and trusts.
- Only one class of stock can be outstanding.
- The corporation must be a domestic one.
- No nonresident alien stockholders are permitted.
- The S corporation cannot own more than 79 percent of the stock of another corporation.

Once a corporation attains S status, it stops paying corporate income taxes and instead passes taxable income or loss on to the stockholders. This allows stockholders to receive dividends from the corporation's profit (once a corporate tax and again as personal tax).

A competent tax attorney should be consulted before making the S status election, as recent tax law changes have had considerable effect on the S corporation arrangement. A sample of the limitations of S corporation status under the reformed tax regulations are as follows:

- Except for certain exceptions, an S corporation must use the calendar year for tax reporting.
- Only stockholder employees owning less than 5 percent of the S corporation can borrow from the corporation's pension and profit-sharing plans.
- Medical-plan premiums paid by the S corporation and other fringe benefits received by stockholder employees are taxable income.
- An S corporation may be required to pay corporate tax if its passive income –

income other than from operating business – exceeds 25 percent of gross receipts.

3.4.3 Exercise 3. Describe the characteristics and value of a strong management team

- A strong management team nurtures a business idea and helps provide the necessary resources to make it succeed.
- The skills of management team members should complement each other to form an optimal combination of education and experience.
- The management team should outline the organizational structure to be used.
- A small firm can improve its management by drawing on the expertise of outside professional groups.

3.4.4 Exercise 4. Identify the common legal forms of organization used by small businesses and describe the characteristics of each

- The most common legal forms of organization used by small businesses are the sole proprietorship, the partnership, and the corporation.
- In a sole proprietorship, the owner receives all profits and bears all losses. The principal disadvantage of this form is the owner's unlimited liability.
- A partnership should be established on the basis of a written partnership agreement. Partners can individually commit the partnership to binding contracts. In a limited partnership, general partners are personally liable for the debts of the business, while limited partners have limited personal liability as long as they do not take an active role in managing the business.
- Corporations are particularly attractive because of their limited-liability feature. The fact that ownership is easily transferable makes them well suited for combining the capital of numerous owners.

3.4.5 Exercise 5. Identify factors to consider in making a choice among the different legal forms of organization

- The key factors that affect the choice among different legal forms of organization are organizational costs, limited versus unlimited liability, continuity, transferability of ownership, management control, capability of raising new equity capital, and income taxes.

3.4.6 Exercise 6. Discussion questions

- 1 Why would investors tend to favor a new business that has a management team rather than a lone entrepreneur as its head? Is this preference justified?
- 2 Discuss the relative merits of the three major legal forms of organization.
- 3 Does the concept of limited liability apply to a sole proprietorship? Why or why not?

- 4 Suppose a partnership is set up and operated without formal articles of partnership. What problems might arise? Explain.
- 5 Explain why the agency power of partners is of great importance.
- 6 What is a Subchapter S corporation, and what is its advantage?
- 7 Evaluate the three major forms of organization in terms of management control by the owner and sharing of the firm's profits.

3.4.7 Exercise 7. Experiential exercises

- 1 Prepare a one-page resume of your own qualifications to launch a term-paper typing business at your college or university. Add a critique that might be prepared by an investor evaluating your strengths and weaknesses as shown on the resume.
- 2 Interview an attorney whose practice includes small businesses as clients. Inquire about the legal considerations involved in choosing the form of organization for a new business. Report your findings to the class.
- 3 Interview the partners of a local business. Inquire about their partnership agreement. Report your findings to the class.
- 4 Discuss with a corporate director, attorney, banker, or business owner the contributions of directors to small firms. Prepare a brief report of your findings. If you discover a particularly well-informed individual, suggest that person to your instructor as a possible speaker.

4 Unit 4. Consumer Behaviour and Product Strategy

4.1 Class work

4.1.1 Exercise 1. Divide the class into groups of four. Each is to read a different text A, B, C, or D and then to share the info with the group mates

Consumer Decision Making

One theory about consumer information processing holds that consumers are problem solvers. According to this theory, consumer decision making has four stages

- 1 Problem recognition
- 2 Information search and evaluation
- 3 Purchase decision
- 4 Post-purchase evaluation

We use this widely accepted framework to examine consumer decision making among small business customers.

4.1.2 Exercise 2. Read the Text A

Vocabulary Notes:

recognition - узнавание, опознание, признание;

depletion - истощение, исчерпывание (запасов, сил);

to evolve - развиваться, развиртываться;

upscale market - рынок потребителей с уровнем доходов и образования выше среднего;

keepsake - подарок, сувенир на память;

passé - устарелый, устаревший;

camcorder – видеокамера.

Problem Recognition. A generally accepted definition of problem recognition is that it is the mental state of a consumer in which a significant difference is recognized between the consumer's current state of affairs and some ideal state. Some problems are simply routine conditions of depletion, such as the desire for food when lunchtime arrives. Other problems occur much less frequently and may evolve slowly over time. The decision to replace the family dining table, for example, may take many years to develop.

A consumer must always recognize his or her problem before purchase behavior can begin. This stage cannot be avoided. However, many small firms develop marketing strategy as if consumers are functioning at later stages of the decision-making process. In reality, consumers may have not yet recognized a problem!

Many factors influence the recognition of a problem by consumers either by changing the actual state of affairs or by affecting the desired state. Here are a few examples:

- Changing financial status (a job promotion with a salary increase);
- Household characteristics (the birth of a baby);
- Normal depletion (using up the last tube of toothpaste);
- Product or service performance (breakdown of the VCR);
- Past decisions (poor repair service on car);
- Availability of products (introduction of a new product).

Once a market's situation with regard to problem recognition is understood, an entrepreneur can decide on the appropriate marketing strategy to use. In some situations, a small firm manager may need to *influence* problem recognition. For example, the Bron-Shoe Company is a family-owned firm that has been bronzing baby shoes for over 60 years. But today's "upscale parents now view such keepsakes as passe. Instead, they buy camcorders to preserve the memories of a video generation." Bron-Shoe attempted to influence consumers' desired state by contracting with independent sales representatives to go door-to-door to increase visibility of its product.

4.1.3 Exercise 3. Read the Text B

Vocabulary Notes:

appropriate - подходящий, соответствующий;
to evoke - вызывать (воспоминания, восхищение);
awareness - осознание, осведомленность;
to break into the market - проникать на рынок;
stronghold - крепость, твердыня, оплот;
exposure - местоположение, вид;
to start up - появляться, начинать с ч.-л.

Information Search and Evaluation. The second stage in consumer decision making involves consumers' collection and evaluation of appropriate information from both internal and external sources. The principal goal of search activity is to establish **evaluative criteria**—the features or characteristics of products or services that are used to compare brands. The small firm manager should understand which evaluative criteria customers use to formulate their **evoked set**.

evaluative criteria – features of products that are used to compare brands

An evoked set is the group of brands that a consumer is both aware of and willing to consider as a solution to a purchase problem

An evoked set is the group of brands that a consumer is both aware of and willing to consider as a solution to a purchase problem. Thus, the initial challenge for a new firm is to gain market *awareness* for its product or service. Only then will the brand have the opportunity to become part of consumers' evoked sets.

Developing market awareness was a huge challenge for entrepreneur Sheryl Leach, creator of Barney the Dinosaur. She attempted to break into a market stronghold of world-famous names such as Big Bird and Winnie-the-Pooh. In 1988, her small firm produced three children's videos featuring the Barney character, which were distributed to Toys "R" Us stores. Sitting on the shelf next to Disney and Sesame Street videos, "the [Barney] tapes mostly gathered dust. What we didn't realize is that exposure is so important," Leach said. When she later made a free distribution of videos to area preschools and day-care centers, sales started up immediately. The Barney character became a household companion of millions of youngsters.

The decision to buy a new product will naturally take longer than a decision that involves a known product. For example, an industrial-equipment dealer with a new product may find it necessary to call on a prospective customer for a period of months before making the first sale.

4.1.4 Exercise 4. Read the Text C

Vocabulary Notes:

substantial - существенный, важный, значительный;
setting - окружение, окружающая обстановка;
outlet - торговая точка, рынок сбыта;
challenging - трудный, но интересный;
to devise - задумывать, придумывать, изобретать;
point-of-purchase - место покупки.

Purchase Decision. Once consumers have evaluated brands in their evoked set and made their choice, they must still decide on how and where to make the purchase. A substantial volume of retail sales now come from nonstore settings such as mail-order catalogs and cable TV shopping channels. These outlets have created a complex and challenging environment in which to develop marketing strategy—particularly with regard to distribution decisions. Consumers attribute many different advantages and disadvantages to various shopping outlets, making it difficult for the small firm to devise a single correct strategy. Sometimes, however, simple recognition of these factors can be helpful.

Of course, not every purchase decision is planned prior to entering a store or looking at a mail-order catalog. Studies have shown that over 50 percent of most types of purchases from traditional retail outlets are not intended prior to entering the store. This fact places tremendous importance on store layout, sales personnel, point-of-purchase displays, and so forth.

4.1.5 Exercise 5. Read the Text D

Vocabulary Notes:

to terminate - положить конец, кончать(ся), завершать(ся);
to occur - случаться, происходить;
dissonance - несоответствие, несходство, неблагозвучие, диссонанс;
complaint - жалоба, недовольство;
cognitive – познавательный;
tension - натянутость, неловкость, напряженное состояние;
anxiety - беспокойство, тревога, опасение, забота;
to offend - обижать, оскорблять.

Post-Purchase Evaluation. The consumer decision-making process does not terminate with a purchase. Small firms that desire repeat purchases from customers—and they all should—need to understand post-purchase behavior. We briefly comment on two of these activities—post-purchase dissonance and consumer complaints.

Cognitive dissonance – the anxiety that occurs when a customer has second thoughts immediately following a purchase
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Post-purchase dissonance is one type of **cognitive dissonance**, a tension that occurs immediately following a purchase decision when consumers have second thoughts as to the wisdom of their purchase. This anxiety is obviously uncomfortable to consumers and can negatively influence product evaluation and customer satisfaction. Small firms need to manage cognitive dissonance among their customers in whatever ways are most effective. For example, Clarke Otten, president of Professional Swedish Car Repair in Atlanta, Georgia allocates an hour or more each day to telephone recent customers to find out if they are happy with the car-repair services they received.

U.S. consumers frequently experience dissatisfaction about their relationships with businesses. What do these consumers do when they are displeased? Consumers have several options for dealing with their dissatisfaction. Six of the seven options threaten repeat sales. Only one—a private complaint to the offending business—is desirable to the business. These odds are not encouraging. Once again, they indicate the importance of quality customer service—both before and after a sale. Studies have shown that over 50 percent of dissatisfied customers will not deal again with the offending business and that almost all will tell other people about their bad experience.

4.2 Home Assignment. Read the text making notes and comments on key statements

4.2.1 Exercises 1. Remember the following words

intangible - неосязаемый, нематериальный;
perception - восприятие, ощущение, осознание, понимание;
encompass - окружать (заботой), заключать (в себе);
stimulus (pl. stimuli) - стимул, побудитель, влияние;
to confront - противостоять, столкнуться;
to penetrate - проникать внутрь, входить, проходить;
inference - вывод, заключение, предположение;
subconscious – подсознательный;
obstacle - препятствие, помеха;
catalyst – катализатор.

Psychological Factors

The next major component of the consumer behavior model-psychological factors-may be labeled as intangible because they cannot be seen or touched. Such factors have been identified by the process of inference. The four psychological factors that have the greatest relevance to small businesses are needs, perceptions, motivations, and attitudes.

Needs – the starting point for all behavior
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Needs. **Needs** are often defined as the basic seeds of (and the starting point for) all behavior. Without needs, there would be no behavior. Although there are innumerable consumer needs, we identify those needs as falling into four categories- physiological, social, psychological, and spiritual.

Needs are never completely satisfied, thereby ensuring the continued existence of business. A complicating characteristic of needs is the way in which they function together in generating behavior. In other words, various "seeds" (remember the definition) can blossom together, making it more difficult to understand which need is being satisfied by a specific product or service. Nevertheless, a careful assessment of the needs-behavior connection can be very helpful in developing marketing strategy. Different people buy the same product to satisfy different needs.

For example, consumers purchase numerous food products in supermarkets to satisfy physiological needs. But food is also purchased in status restaurants to satisfy consumers' social and/or psychological needs. Some specific foods are also in demand by special market segments to satisfy certain consumers' religious (spiritual) needs. A needs-based strategy, would result in a different marketing approach in each of these situations.

Perception – the individual process that give meaning to the stimuli that confront consumers

PERCEPTIONS The second psychological factor, **perception**, encompasses those individual processes that ultimately give meaning to the stimuli that confront consumers. This meaning may be severely distorted or entirely blocked, however. Customer perception can cloud a small firm's marketing effort and make it ineffective.

perceptual categorization – the perceptual process of grouping similar things to manage huge quantities of incoming stimuli

Perception is a two-sided coin. It depends on the characteristics of both the stimulus and the perceiver. For example, it is known that consumers attempt to manage huge quantities of incoming stimuli through **perceptual categorization**, a process by which things that are similar are perceived as belonging together. Therefore, if a small business wishes to position its product alongside an existing brand and have it accepted as comparable, the marketing mix should reflect an awareness of perceptual categorization: A similar price can be used to communicate similar quality; a package design with a similar color scheme to that of the existing brand may be used to convey meaning. These techniques will help the customer fit the new product into the desired product category.

Small firms that use an existing brand name for a new product are relying on perceptual categorization to pre-sell the new product. On the other hand, if the new product is generically different or of a different quality, a unique brand name should be selected to avoid perceptual categorization.

If a consumer has strong brand loyalty to a product, it becomes difficult for other brands to penetrate that individual's perceptual barriers. Those competing brands are likely to have distorted images for that individual because of the pre-existing attitude. Perceptual mood thus presents a unique communication challenge.

Motivations – forces that give direction and organization to the tension of unsatisfied needs

MOTIVATIONS Unsatisfied needs create tension within an individual. When this tension reaches a certain level, the individual becomes uncomfortable and is motivated to reduce the tension.

We are all familiar with hunger pains, which are manifestations of tension created by an unsatisfied physiological need. What directs a person to obtain food so that the hunger pains can be relieved? The answer is motivation. **Motivations** are goal-directed forces within humans that organize and give direction to tension caused by unsatisfied needs. Marketers cannot create needs, but they can create and offer unique motivations to consumers. If an acceptable reason for purchasing a product or service is provided, it will probably be internalized as a motivating force. The key for the marketer is to determine which motivation the consumer will perceive as acceptable in a given situation. The answer is found through an analysis of other consumer behavior variables.

Each of the other three classes of needs—social, psychological, and spiritual - is similarly connected to behavior via motivations. For example, when a person's social needs create tension due to incomplete satisfaction, a firm may show how its product can fulfill those needs by providing acceptable social motivations to that person. A campus clothing store might promote the styles that communicate that a college student has obtained group membership.

Understanding motivations is not easy. Several motives may be present in any situation, and motivations are often subconscious. However, they must be investigated if the marketing effort is to have an improved chance for success.

Attitude – an enduring opinion based on knowledge, feeling, and behavioral tendency

ATTITUDES Like the other psychological variables, attitudes cannot be observed, but everyone has them. Do attitudes imply knowledge? Do they imply feelings of good or bad, favorable or unfavorable? Does an attitude have a direct impact on behavior? If you answered yes to these questions, you were correct each time. An **attitude** is an enduring opinion that is based on a combination of knowledge, feeling, and behavioral tendency.

An attitude can be an obstacle or a catalyst in bringing a customer to a product. For example, consumers with the attitude that a local family-run grocery store has higher merchandise prices than a national chain may avoid the local store. Armed with an understanding of the structure of an attitude, a marketer can approach the consumer more intelligently.

4.3 Class Work

4.3.1 Read the text, draw a chart of main sociological factors and their characteristics

Vocabulary Notes:

reference - ссылка на кого-л. или что-л.; рекомендация, отзыв;

aggregation - скопление, масса, собрание;
 to exert - оказывать давление, влиять;
 heritage - наследство, наследие;
 to embed - вставлять, внедрять;
 to attest - свидетельствовать, удостоверить, подтверждать;
 prescriptive - предписывающий;
 implication - вовлечение, причастность, подтекст, смысл;
 caste - каста, привилегированный класс;
 furnishings - обстановка, меблировка, домашние принадлежности;
 possessions - собственность, имущество, пожитки;
 challenge - сложная задача, проблема;
 coercive - принудительный;
 referent - то, с чем соотносится мысль, символ, знак;
 legitimate - законный, правильный, разумный;
 to enhance - увеличивать, усиливать, повышать (цену, качество).

Sociological Factors

The last component of the consumer behavior model is sociological factors. Among these social influences are culture, social class, reference groups, and opinion leaders. Note that each of these sociological factors represents a different degree of group aggregation: Culture involves large masses of people; social classes and reference groups represent smaller groups; and, finally, an opinion leader is a single individual who exerts influence.

Culture – group’s social heritage, including behavior patterns and values

CULTURE A group's social heritage is called its **culture**. This social heritage has a tremendous impact on the purchase and use of products. Marketing managers often overlook the cultural variable because its influences are so neatly embedded within the society. Culture is somewhat like air. You really do not think about its function until you are in water over your head! International marketers who have experienced more than one culture can readily attest to the reality of cultural influence.

The prescriptive nature of culture should most concern the marketing manager. Cultural norms create a range of product-related, acceptable behaviors that influence consumers in what they buy. Because culture does change, however, by adapting slowly to new situations, what works well as a marketing strategy today may not work a few years from now.

An investigation of culture within a narrower definitional boundary—by age, religious preference, ethnic orientation, or geographical location—is called *subcultural analysis*. Here, too, the unique patterns of behavior and social relationships concern the marketing manager. For example, the needs and motivations of the youth subculture are far different from those of the senior citizen subculture. Certain food preferences are unique to particular ethnic cultures. If small business managers familiarize themselves with cultures and subcultures, they can create better marketing mixes.

Social classes are divisions in a society with different levels of social prestige

SOCIAL CLASS Another sociological factor affecting consumer behavior is social class. **Social classes** are divisions in a society with different levels of social prestige. Important implications for marketing exist in a social class system. Different lifestyles correlate with different levels of social prestige, and certain products often become symbols of each type of life-style.

For some products, such as consumer packaged goods, social class analysis will probably not be very useful. For others, such as home furnishings, it may help explain variations in shopping and communication patterns.

Unlike a caste system, a social class system provides for upward mobility. For example, the status of parents does not permanently fix the social class of their child. Occupation is probably the single most important determinant of social class. Other determinants that are used in social class research include possessions, source of income, and education.

Reference groups - groups that influence individual behavior

REFERENCE GROUPS Social class could, by definition, be considered a reference group. However, not every group is a reference group. Marketers are more generally concerned with small groups such as the family, the work group, a neighborhood group, or a recreational group. **Reference groups** are those groups that an individual allows to influence his or her behavior.

The existence of group influence is well established. The challenge to the marketer is to understand why this influence occurs and how it can be used to promote the sale of a product. Individuals tend to accept group influence because of benefits they perceive as resulting from it. These perceived benefits allow the influencers various kinds of power. Five widely recognized forms of power are reward, coercive, referent, expert, and legitimate. Each of these power forms is available to the marketer.

Reward power and coercive power relate to a group's ability to give and to withhold rewards. Rewards can be material or psychological. Recognition and praise are typical psychological rewards. A Tupperware party is a good example of a marketing technique that takes advantage of reward power and coercive power. The ever-present possibility of pleasing or displeasing the hostess-friend tends to encourage the guest to buy.

Referent power and expert power involve neither rewards nor punishments. They exist because an individual attaches great importance to being like the group or perceives the group as being knowledgeable. Referent power causes consumers to conform to the group's behavior and to choose products selected by the group's members. Children will often be affected by referent power. Marketers can create a desire for products by using cleverly designed advertisements or packages. Consider the strategy of BertSherm Products, Inc., which markets Fun 'n Fresh deodorant sticks targeted to seven- to twelve-year-olds. Entrepreneur Philip B. Davis has been selling the deodorant with the campaign slogan "Be Cool in School." Children admit they purchase the deodorant not because of body odor but rather because using the deodorant makes them feel like an adult.

OPINION LEADERS According to a certain communication theory, consumers receive a significant amount of information through individuals called **opinion leaders**, who are group members playing a key communications role.

Opinion leader – a group leader who plays a key communications role

Generally speaking, opinion leaders are knowledgeable, visible, and exposed to the mass media. A small business firm can enhance its own product and image by identifying with such leaders. For example, a farm-supply dealer may promote its products in an agricultural community by holding demonstrations of these products on the farms of outstanding local farmers, who are the community's opinion leaders. Also, department stores may use attractive students as models when showing campus fashions.

4.4. Class Work

4.4.1 Exercise 1. Read the following text and render it

Product Management. Product Versus Service Marketing

Traditionally, marketers have used the word *product* as a generic term to describe both goods and services. However, whether goods marketing and services marketing strategies are the same is questionable. Certain characteristics—tangibility, production and consumption time separation, standardization, and perishability—define a number of differences between the two strategies. Based on these characteristics, for example, a pencil fits the pure goods end of the scale and a haircut fits the pure services end. The major implication of this distinction is that services present unique challenges to strategy development.

Product – a bundle of satisfaction – a service, a good, or both – offered to customers in an exchange transaction

Although we recognize the benefit of examining the marketing of services as a unique form of marketing, space limitations require that services be subsumed under the umbrella category of product marketing. Therefore, from this point on, a **product** is considered to include the total bundle of satisfaction that is offered to customers in an exchange transaction—whether it be a service, a good, or a combination of the two. Also, a product includes not only the main element of the bundle, which is the physical product or core service, but also complementary components such as packaging or a warranty. Of course, the physical product or core service is usually the most important component. But, sometimes, that main element is perceived by customers to be similar for all products. Then, complementary components become the most important features of the product. For example, a particular cake-mix brand may be preferred by consumers, not because it is a better mix, but because of the unique toll-free telephone number on the package that can be called

for baking hints. Or, a certain dry cleaner may be chosen over others because it treats customers with respect, not just because it cleans clothes exceptionally well.

Product strategy describes the manner in which the product component of the marketing mix is used to achieve the objectives of a firm. A **product item** is the lowest common denominator in a product mix. It is the individual item, such as one brand of bar soap. A **product line** is the sum of the individual product items that are related. The relationship is usually defined generically. Two brands of bar soap are two product items in one product line. A **product mix** is the collection of product lines within a firm's ownership and control. A firm's product mix might consist of a line of bar soaps and a line of shoe polishes. **Product mix consistency** refers to the closeness, or similarity, of the product lines. The more items in a product line, the more depth it has. The more product lines in a product mix, the greater the breadth of the product mix.

Product strategy – the way a product is marketed to achieve a firm’s objectives
Product item – the lowest common denominator in the product mix – the individual item
Product line – all the individual product items that are related
Product mix – a firm’s total product lines
Product mix consistency – the similarity of product lines in a product mix

Once a marketing manager has gained a basic understanding of target market customers, he or she is better prepared to develop product strategy. Two concepts are extremely useful to the small business manager in developing and controlling the firm's product strategy—the product life cycle and product development.

4.4.2 Exercise 2. Remember the following combinations with the word “product”

product	catalogue (BrE)	a company’s products, as a group
	catalog (AmE)	
	mix	
	portfolio	
	line	a company’s products of a particular type
	range	
	lifecycle	the stages in the life of a product, and the number of people who buy it at each stage
	positioning	how a company would like a product to be seen in relation to its other products, or to competing products
	placement	when a company pays for its products to be seen in films and TV programs

Match the sentence beginnings (1-7) with the correct endings (a-g). The sentences all contain the above expressions

1. Banks are adding new types of accounts	a. product life cycles are so short that product launches are very frequent.
2. Apple is going to simplify its product line	b. its product positioning in relation to Psion's existing hardware products.
3. Consumers have mixed feelings about supermarkets	c. it changed its product range towards more expensive cars.
4. When BMW bought Rover,	d. of cigarettes in movies.
5. The new law will ban product placement	e. extending their product portfolio into financial services.
6. Following the launch of the series 5 laptop, consumers were slow to understand	f. and deliver fewer but more competitive models.
With this type of equipment in the US,	g. to their product mix.

4.4.3 Exercise 3. Pay attention to the related words and fill in the table

A **product** can be:

- something natural
- something made to be sold
- a service

Produce refers to agricultural products such as crops or fruit, *e.g. You can buy fresh produce at a farmers' market.* Something that is made is **produced** or **manufactured**. A country or company that **produces** something is a **producer** of it. A company that manufactures something is a **maker** or **manufacturer** of **manufactured goods**.

Complete this table with the words in bold type

Verb	Noun	Adjective	person
produce			
		manufactured	
			maker

4.4.4 Exercise 4. Learn the following 'false friends'

to realize - ясно понимать, уяснять, представлять себе;

complex - сложный, составной; запутанный, трудный для понимания;

intelligent - мыслящий, понимающий, умный;

concern - то, что касается или интересует к.-л.; дело, отношение.

4.4.5 Exercise 5. Add the necessary prefixes to make the words opposite in the meaning: in-, un-, dis-

Significant, advantage, comfortable, satisfaction, to please, tangible, effective, favorable, complete, familiar, numerable.

4.5 Explain aspects of consumer behavior

1 It is helpful to view consumers as problem solvers who are going through several steps, from problem recognition to post-purchase behavior.

2 Psychological factors affecting consumer behavior include needs, perceptions, motivations, and attitudes.

3 Sociological factors affecting consumer behavior encompass culture, social class, reference groups, and opinion leaders.

4.6 Discussion questions

1 Briefly describe the four stages of the consumer decision-making process. Why is the first stage so vital to consumer behavior?

2 List the four psychological factors discussed in this chapter. What is their relevance to consumer behavior?

3 List the four sociological factors discussed in this chapter. What is their relevance to consumer behavior?

4.7 Experiential exercises

1 For several days, make notes on your own shopping experiences. Summarize what you consider to be the best customer service you received.

2 Consider your most recent, meaningful purchase. Relate the decision-making process you used to the four stages of decision making presented in this chapter. Report your conclusions.

5 Unit 5. Managing Human Resources

5.1 Class Work

Vocabulary Notes:

to elicit - извлекать, выявлять, делать вывод, устанавливать;

failure - неуспех, неудача, провал;

ambitious - честолюбивый, стремящийся, жаждущий;

to identify - узнавать, распознавать, опознавать;

distinctive - отличительный, характерный, особый;

to toil - усиленно трудиться, работать без передышки;

obscure - непонятный, неясный, неотчетливый;
to lure - завлекать, соблазнять;
incentive - побуждение, стимул.

Terms:

to recruit - набирать на работу, в организацию;
applicant - заявитель;
expense - расходы, издержки, траты;
personnel - личный состав, штат, кадры
profitability - рентабельность, прибыльность, доходность;
revenue - доход;
return - доход, прибыль, выручка, поступление.

Recruiting personnel

When recruiting employees, a small firm competes with both large and small businesses. It cannot afford to let competitors take the cream of the crop. Aggressive recruitment requires the small firm to take the initiative in locating applicants and to search until enough applicants are available to permit wise choices.

Importance of People

Hiring the right people and eliciting their enthusiastic performance are essential factors in reaching the potential of any business. As Ellyn Spragins suggested, "With every person you hire, you determine how great your potential successes may be — or how awful your failures."

Employees affect profitability in many ways. In most small firms, the attitudes of salespeople and their ability to serve customer needs directly affect sales revenue. Also, payroll is one of the largest expense categories for most businesses, having a direct impact on the bottom line. By recruiting outstanding personnel, therefore, a firm can improve its return on each payroll dollar.

Recruitment and selection of employees establish a foundation for a firm's ongoing human relationships. In a sense, the quality of employees determines the human potential of an organization. If talented, ambitious recruits can be attracted, the business, through good management, should be able to build a strong human organization.

Attracting Applicants to Small Firms

Competition in recruiting well-qualified business talent requires small firms to identify their distinctive advantages when making an appeal to outstanding prospects, especially to those seeking managerial and professional positions. Fortunately, small firm recruiters can advance some good arguments in favor of small business careers.

The opportunity for general management experience at a decision-making level is attractive to many prospects. Rather than toiling in obscure, low-level, specialized positions during their early years, capable newcomers can quickly move into positions of responsibility in well-managed small businesses. In such positions, they

can see that their work makes a difference in the success of the company.

Small firms can structure the work environment to offer professional, managerial, and technical personnel greater freedom than they would normally have in big businesses.

In this type of environment, individual contributions can be recognized rather than hidden under the numerous layers of a bureaucratic organization. In addition, compensation arrangements can be designed to create a powerful incentive. Flexibility in work scheduling and job-sharing arrangements are other possible lures. The value of any incentive as a recruiting advantage depends to some degree on the circumstances of the particular firm. From the standpoint of an applicant, ideally the firm should be growing and profitable. It should also have a degree of professionalism in its management that can be readily recognized by prospective employees.

5.1.1 Exercise 1. Arrange the following words in two groups: synonyms and antonyms

Expenses, to hire, aid, profit, to employ, expenditure, help, earnings, return, to fire, to dismiss, return, spending.

5.1.2 Exercise 2. Fill in the following chart:

verb	noun	adjective	person
to pay			
	competition		
to employ			
			recruit
	application		
		profitable	

5.1.3 Exercise 3. Match the words with appropriate meanings

1) payback	а) платежная ведомость
2) paycheck	б) доход по ценным бумагам, взятка, награда; амер. выплата
3) paydown	в) разница в стоимости между продажей пакета ценных бумаг и покупкой другого пакета по более высокой цене
4) paymaster	г) выплата
5) payoff	д) окупаемость
6) payroll	е) кассир
7) payup	ж) зарплата, выдаваемая чеком
8) payout	з) частичное погашение кредита или облигационного займа

5.2 Homework Assignment

Terms:

to affiliate - становиться тесно связанными;
fee - гонорар, вознаграждение, плата за услуги, взнос;
highly-qualified - высококвалифицированный;
unskilled - неквалифицированный;
production worker - производственный рабочий;
accountant - бухгалтер;
headhunter - человек, переманивающий квалифицированные кадры;
executive - руководитель, администратор;
CEO (chief executive officer) - руководитель высокого ранга;
manufacturer - производитель;
advertisement - объявление, реклама
clerk - служащий.

Read the text and describe the main sources of employees

Sources of Employees

To recruit effectively, the small business manager must know where and how to find qualified applicants. Sources are numerous, and it is impossible to generalize about the best source in view of variations in personnel requirements and quality of sources from one locality to another

Walk-ins A firm may receive unsolicited applications from individuals who walk into the place of business to seek employment. This is an inexpensive source for clerical and production jobs, but the quality of applicants may be mixed. If qualified applicants cannot be hired immediately, their applications should be kept on file for future reference. In the interest of good public relations, all applicants should be treated courteously, whether or not they are offered jobs.

Schools Secondary schools, trade schools, colleges, and universities are desirable sources for certain classes of employees, particularly those who need no specific work experience. Some secondary schools and colleges have internship programs involving periods of work in business firms. These programs enable students to gain a measure of practical experience. Secondary and trade schools provide applicants with a limited but useful educational background. Colleges and universities can supply candidates for positions in management and in various technical and scientific fields. In addition, many colleges are excellent sources of part-time employees.

Public employment offices State employment offices that are affiliated with the United States Employment Service offer at no cost to small businesses a supply of applicants who are actively seeking employment. These offices, located in all major cities, are for the most part a source of clerical workers, unskilled laborers, production workers, and technicians.

Private employment agencies Numerous private agencies offer their services as employment offices. In some cases, employers receive their services without

cost because the applicants pay a fee to the agency. However, most firms pay the agency fee if the applicant is highly qualified. Such agencies tend to specialize in people with specific skills, such as accountants, computer operators, or managers.

Headhunter – a search firm that locates qualified candidates for executive positions
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When filling key positions, small firms sometimes turn to executive search firms, called **headhunters**, to locate qualified candidates. Plasticolors, Inc., a small Ohio manufacturer of colorants for fiberglass plastics, successfully used an executive recruiter to fill the position of CEO, replacing the company's founder. The recruiter spent about 45 hours interviewing directors and key employees before beginning the executive search, thereby developing a relationship with the company and an acquaintance with its managerial needs. Headhunters, who are paid by the company they represent, can make a wide-ranging search for individuals who possess the right combination of talents.

Employee referrals If current employees are good employees, their recommendations of suitable candidates may provide excellent prospects. Ordinarily, employees will hesitate to recommend applicants unless they believe in their ability to do the job. Many small business owners say that this source provides more of their employees than any other. A few employers go so far as to offer financial rewards for employee referrals.

Help-wanted advertising The "Help Wanted" sign in the window is one form of recruiting used by small firms. A similar but more aggressive form of recruiting consists of advertisements in the classified pages of local newspapers. Although the effectiveness of these forms has been questioned by some, many well-managed organizations recruit in this way.

Temporary help agencies The temporary help industry, which is growing rapidly, supplies temporary employees (or temps) such as word processors, clerks, accountants, engineers, nurses, and sales clerks for short periods of time. By using agencies such as Kelly Services or Manpower, small firms can deal with seasonal fluctuations and absences caused by vacation or illness. As an example, a temporary replacement might be obtained to fill the position of an employee who is taking leave following the birth of a child—a type of family leave now mandated by law for some employees. In addition, use of temporary employees provides an introduction to individuals whose performance may justify an offer of permanent employment. Staffing with temporary employees is less practical when extensive training is required or continuity is important.

5.3 Class Work

Vocabulary Notes:

rigid - жесткий, строгий, суровый;

summary - краткое изложение, резюме, конспект;
sophisticated - опытный;
to jot down - кратко записать, бегло набросать;
versatility - многосторонность;
occasionally - изредка, время от времени, порой;
pinch - внезапное повышение курсов или цен на бирже;
incumbent - занимающий определенный пост.

Describing Jobs to Be Filled

A small business manager should analyze the activities or work to be performed and determine the number and kinds of jobs to be filled. Knowing the job requirements permits a more intelligent selection of applicants for specific jobs, based on their individual capacities and characteristics.

Certainly the owner-manager should not select personnel simply to fit a rigid specification of education, experience, or personal background. Rather, she or he must concentrate on the ability of an individual to fill a particular position in the business. Making this determination requires an outline or summary of the work to be performed. A written summary of this type is called **a job description.**

job description – a written summary of duties required by a specific job

Preparing job descriptions need not be a highly sophisticated process. The owner of White Glove Service Systems, in Phoenix, Arizona, simply asked employees to jot down what they did over a period of a few days. The managers then looked for duplication of duties and for tasks that might have fallen through the cracks. In this relatively informal manner, they created job descriptions that spelled out duties recognized by the employees as well as the employer.

Duties listed in job descriptions should not be defined too narrowly. Job descriptions should minimize unnecessary overlap but avoid creating a "that's-not-my-job" mentality. Technical competence is as necessary in small firms as it is in a large business, but versatility and flexibility may be even more important. Engineers may occasionally need to make sales calls, and marketing people may need to pinch-hit in production.

Title: Stock Clerk

Primary Function: To stock shelves with food products and other items

Supervision Received: Works under direct supervision of store manager

Supervision Exercised: None

Duties:

- 1 Receive and store products in storage area.
- 2 Take products from storage, open outer wrapping, and place contents on store shelves.
- 3 Provide information and/or direction to customers seeking particular

products or having other questions.

4 Monitor quantity of products on shelves and add products when supplies are low.

5 Perform housekeeping duties when special need arises—for example, when container is broken or products fall on the floor.

6 Assist cashiers in bagging products as needed during rush periods.

7 Assist in other areas or perform special assignments as directed by the store manager.

In the process of studying a job, an analyst should list the knowledge, skills, abilities, or other characteristics that an individual must have to perform the job. This statement of requirements is called a **job specification**. A job specification for the position of stock clerk might state that the incumbent must be able to lift 50 pounds and must have completed 10 to 12 years of school.

job specification – a list of skills and abilities needed by a job applicant to perform a specific job

Job descriptions are mainly an aid in personnel recruitment, but they also have other uses. For example, they can give employees a focus in their work, provide direction in training, and supply a framework for performance review.

5.3.1 Exercise 1. Word combinations with ‘work’

If you **work** or **have work**, you have a job. But you don’t say that someone has ~~a work~~. **Work** is also the place where you do your job. Here are some phrases with ‘work’:

- Hi, I’m Frank. I work in a bank in New York City. I **leave for** work at 7.30 every morning.

- I **go to work** by train or subway.

- I **get to/arrive at work** at about nine.

- I’m usually **at work** till six.

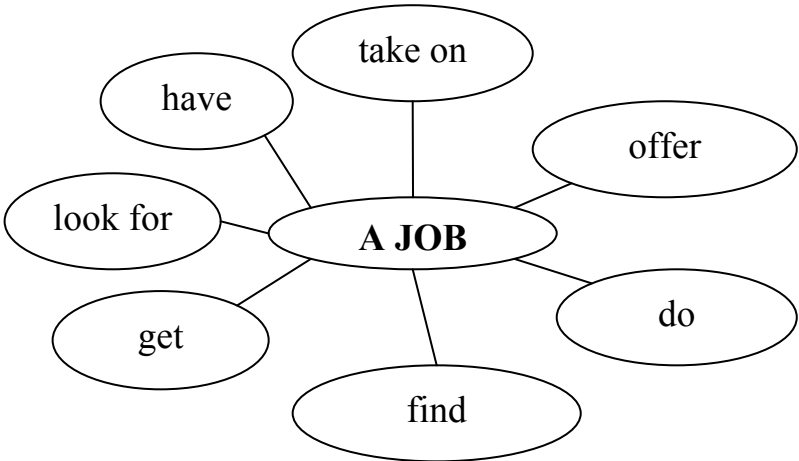
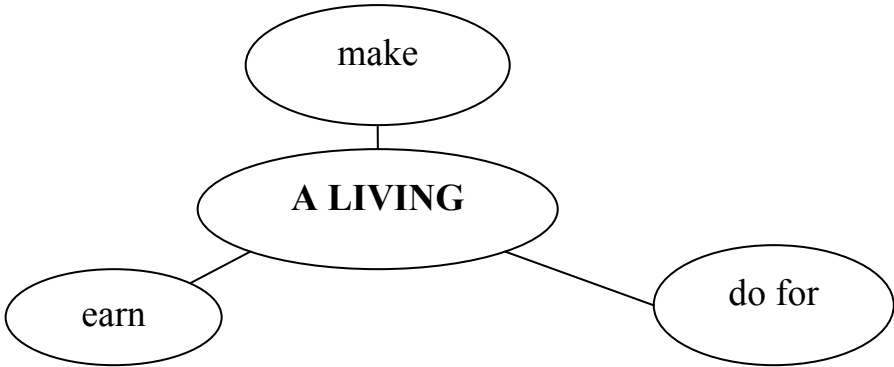
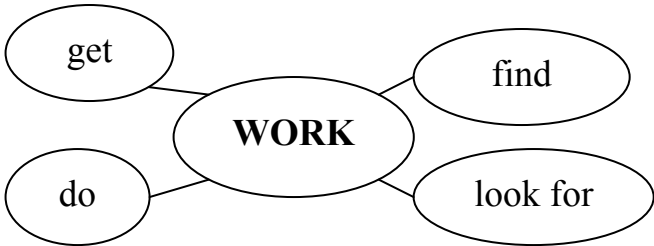
- Luckily, I don’t get ill very much so I’m not often **off work**.

- The economy is growing fast and more people are **in work** than ever before. The percentage of people **out of work** has fallen to its lowest level for 30 years.

5.3.2 Exercise 2. Complete the text with one of the prepositions: *out of, at, to, in, off*

Rebecca lives in London and works in public relations. She leaves home for work at 7.30. She drives (1) work. The traffic is often bad and she worries about getting (2) work late, but she usually arrives (3) work at around nine. She finishes work quite late, at about eight. “Luckily, I’m never ill,” she says, “I could never take time (4) work.” She loves what she does and is glad to be (5) Work. Some of her friends are not so lucky: they are (6) work.

5.4 Remember the following collocations of words connected with work



Examples:

What do you **do for living**?

It's difficult **to make a living** as a freelance writer (earn enough money to live comfortably)

I'd love **to do** that kind of work.

5.4.1 Exercise 1. Remember the following expressions connected with work

<p>to work shift-work to be on flexi-time to work nine-to-five</p>	<p>nights one week, days next flexible working hours regular day work</p>	}	Hours of work
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to go/be on strike	industrial dispute	}	Reasons for <i>not</i> working
to get the sack	thrown out of your job		
to be fired	more formal than 'get sack'; often used as a direct address: "You're fired!"		
to be dismissed	more formal than 'be fired'		
to be made redundant	thrown out, no longer needed		
to be laid off	more informal than 'made redundant'		
to give up work	e.g. in order to study		
to be on/take maternity leave	expecting baby		
to be on/take sick leave	illness		
to take early retirement	retire at 55		
to be a workaholic	love work too much	}	Other useful verbs
to be promoted	get higher position		
to apply for a job	fill in forms, etc.		

Note:

If you do something wrong, you are <ul style="list-style-type: none"> • dismissed • fired • sacked • terminated 	If you've done nothing wrong, you are <ul style="list-style-type: none"> • laid off • made redundant • offered early retirement
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5.5 Home Reading

Vocabulary Notes:

to size up - определять размер, величину;
 infallible - безошибочный, непогрешимый; надежный, верный;
 litigious - спорный, подлежащий судебному разбирательству;
 mannerism - манера, особенность (присущая к.-л.);
 attire - наряд, платье, украшение;
 to burglarize - *амер.* совершать кражу со взломом;
 infringement - нарушение (закона), посягательство (на права, свободу);
 eligibility - право на избрание, приемлемость;
 pertinent - уместный, подходящий, относящийся к делу;
 to uphold - поддерживать, защищать, поощрять;
 validity - действительность, законность, обоснованность.

Evaluating prospects and selecting employees

An employer's recruitment activities merely locate prospects for employment. Subsequent steps are needed to evaluate these candidates and to select some as employees. An employer can minimize the danger of taking a blind, uninformed gamble on applicants of unknown quality by following the steps described in the next sections.

Step 1: Using Application Forms

The value of having prospective employees complete an application form lies in the form's systematic collection of background data that might otherwise be overlooked. The information recorded on an application form is useful in sizing up an applicant and serves as a guide in making a more detailed investigation of the applicant's experience and character.

An application form need not be elaborate or lengthy. However, care must be taken to avoid questions that may conflict with laws concerning unfair job discrimination. State and federal laws, which have been changing frequently, limit the use of many questions formerly found on application forms. Questions about race, color, national origin, religion, age, marital status, disabilities, or arrests are either prohibited or considered unwise unless the employer can prove their job-relatedness.

Step 2: Interviewing the Applicant

An interview permits the employer to get some idea of the applicant's appearance, job knowledge, intelligence, and personality. Any of these factors may be significant for the job to be filled. Although the interview is an important step in the selection process, it should not be the only step. Some managers have the mistaken idea that they are infallible judges of human nature and can choose good employees on the basis of interviews alone. Care must be taken in the interview process, as in designing application forms, to avoid questions that conflict with the law. If possible, applicants should be interviewed by two or more individuals in order to minimize errors in judgment.

Time spent in interviewing, as well as in other phases of the selection process, can save time and money later on. In today's litigious society, firing an employee has become quite difficult. A dismissed employee can bring suit even when an employer had justifiable reasons for dismissal.

The value of the interview depends on the interviewer's skill and methods. Any interviewer can improve his or her interviewing by following these generally accepted principles:

- Determine the job-related questions you want to ask the applicant before beginning the interview.
- Conduct the interview in a quiet atmosphere.
- Give your entire attention to the applicant.
- Put the applicant at ease.
- Never argue.
- Keep the conversation at a level suited to the applicant.
- Listen attentively.
- Observe closely the applicant's speech, mannerisms, and attire if these

characteristics are important to the job.

- Try to avoid being unduly influenced by the applicant's trivial mannerisms or superficial resemblance to other people you know.

Employment interviews should be seen as a two-way process. The applicant is evaluating the employer while the employer is evaluating the applicant. In order for the applicant to make an informed decision, he or she needs a clear idea of what the job entails and an opportunity to ask questions.

Step 3: Checking References and Other Background Information

Careful checking with former employers, school authorities, and other references can help avoid hiring mistakes, which can have serious consequences later. Suppose, for example, that you hired an appliance technician who later burglarized a customer's home. Checking the applicant's background for a criminal record might have prevented this unfortunate occurrence.

It is becoming increasingly difficult to obtain more than the basic facts concerning a person's background because of the potential for lawsuits brought against employers by disappointed applicants. However, reference checks on a prior employment record do not constitute infringements on privacy. A written letter of inquiry to these references is probably the weakest form of checking because most people will not put damaging statements in writing. Often, former employers or supervisors will speak more frankly when approached by telephone or in person.

For a fee, an applicant's history (financial, criminal, employment, and so on) may be supplied by private investigation agencies or credit bureaus. If an employer needs a credit report to establish an applicant's eligibility for employment, the Fair Credit Reporting Act requires that the applicant be notified in writing that such a report is being requested.

Step 4: Testing the Applicant

Many kinds of jobs lend themselves to performance testing. For example, an applicant may be given a data-entry test to verify speed and accuracy of keyboarding skills. With a little ingenuity, employers can improvise practical tests that are pertinent to many positions.

Psychological examinations may also be used by small businesses, but the results can be misleading because of difficulty in interpreting the tests or in adapting them to a particular business. In addition, the U.S. Supreme Court has upheld the Equal Employment Opportunity Commission's requirement that *any* test used in making employment decisions must be job-related.

Validity – the extent to which a test assesses true job performance ability
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Useful tests of any kind must meet the criteria **of validity and reliability**. If a test is valid, its results should correspond well with job performance; that is, the applicants with the best test scores should generally be the best employees. If a test is reliable, it should provide consistent results when used at different times or by various individuals.

Reliability – the consistency of a test in measuring job performance ability

Step 5: Physical Examinations

A primary purpose of physical examinations is to evaluate the ability of

applicants to meet the physical demands of specific jobs. Care must be taken, however, to avoid discriminating against those who are physically disabled. The Americans with Disabilities Act of 1990 requires employers to make "reasonable" adaptations to facilitate the employment of such individuals.

The law permits drug screening of applicants, and this can be included as part of the physical examination process. Since few small firms have staff physicians, most of them must make arrangements with a local doctor or clinic to perform physical examinations.

5.6 Class Work

Divide class into groups of four, read texts A, B, C, and D, share what you've read in the group.

5.6.1 Text A. Purposes of Training and Development

Vocabulary Notes:

obvious - очевидный;

by trial and error - путем проб и ошибок;

frequently - часто;

procedure - образ действия, технологический процесс;

to have a stake in - быть жизненно заинтересованным в ч.-л.;

inducement - побуждение, побуждающий мотив, стимул.

Training and development

Once an employee has been recruited and added to the payroll, the process of training and development must begin. For this process, a new recruit is raw material, while the well-trained technician, salesperson, manager, or other employee represents a finished product.

One obvious purpose of training is to prepare a new recruit to perform the duties for which he or she has been hired. There are very few positions for which no training is required. If an employer fails to provide training, the new employee must learn by trial and error, which frequently wastes time, materials, and money.

Training to improve skills and knowledge is not limited to newcomers. The performance of current employees can often be improved through additional training. In view of the constant change in products, technology, policies, and procedures in the world of business, continual training is necessary to update knowledge and skills—even in a small firm. Only with such training can employees meet the changing demands placed on them.

Both employers and employees have a stake in the advancement of qualified personnel to higher-level positions. Preparation for advancement usually involves developmental efforts—possibly of a different type than those needed to sharpen skills for current duties. Because personal development and advancement are prime

concerns of able employees, a small business can profit from careful attention to this phase of the personnel program. The opportunity to grow and move up in an organization not only improves the morale of current employees but also offers an inducement for potential applicants.

5.6.2 Text B. Orientation for New Personnel

Vocabulary Notes:

to confront - противостоять, столкнуться;
layout - расположение, планировка, план;
previous - предыдущий, предшествующий;
to foster - поощрять, благоприятствовать;
commitment - обязательство;
outcome - результат, следствие, исход;
setting - окружающая обстановка;
to facilitate - облегчать, содействовать, способствовать, продвигать.

The developmental process begins with an employee's first two or three days on the job. It is at this point that a new person tends to feel lost and confused, confronted with a new physical layout, different job title, unknown fellow employees, different type of supervision, changed hours or work schedule, and/or a unique set of personnel policies and procedures. Any events that conflict with the newcomer's expectations are interpreted in light of his or her previous work experience, and these interpretations can foster a strong commitment to the new employer or lead to feelings of alienation.

Recognizing the new employee's sensitivity at this point, the employer can contribute to a positive outcome by proper orientation. Steps can be taken to help the newcomer adjust and to minimize feelings of uneasiness in the new setting.

In addition to explaining specific job duties, supervisors can outline the firm's policies and procedures in as much detail as possible. A clear explanation of performance criteria and the way in which an employee's work will be evaluated should be included in the discussion. The new employee should be encouraged to ask questions, and time should be taken to provide careful answers. The firm may facilitate the orientation process by providing the recruit with a written list of company practices and procedures in the form of an employee handbook. The handbook may include information about work hours, paydays, breaks, lunch hours, absences, holidays, names of supervisors, employee benefits, and so on. Since new employees are faced with information overload at first, it is good to schedule a follow-up orientation after a week or two.

Compensation and incentives for small business employees

5.6.3 Text C. Wage or Salary Levels

Vocabulary Notes:

roughly - приблизительно, грубо;

increment - возрастание, увеличение, прибавка, прирост, прибыль;

appropriate - подходящий, соответствующий;

incentive - побуждение, стимул;

to devise - задумывать, придумывать; изобретать;

entire - полный, совершенный, целый;

assignment - задание, назначение;

to appreciate - высоко ценить, оценивать по достоинству, понимать.

Compensation and financial incentives are important to all employees, and the small firm must acknowledge the central role of the paycheck and other monetary rewards in attracting and motivating personnel. In addition, small firms can offer several nonfinancial incentives that appeal to both managerial and nonmanagerial employees.

In general, small firms find that they must be roughly competitive in wage or salary levels in order to attract well-qualified personnel. Wages or salaries paid to employees either are based on increments of time—such as an hour, a day, a month—or vary directly with their output. A compensation system based on increments of time is commonly referred to as **day-work**. Day-work is most appropriate for types of jobs in which performance is not easily measurable. It is the most common compensation system and is easy to understand and administer.

Financial Incentives

Incentive systems have been devised to motivate employees, particularly non-managerial employees, to increase their productivity. Incentive wages may constitute an employee's entire earnings or may supplement his or her regular wages or salary. The commission system often used to compensate salespeople is one type of incentive plan. In manufacturing, employees are sometimes paid according to the number of units they produce. While many incentive programs apply to employees as individuals, these programs may also involve the use of group incentives and team awards.

General bonus or profit-sharing plans are especially important for managerial or other key personnel, although such plans sometimes include lower-level personnel. These plans provide employees with a piece of the action, which may or may not involve assignment of shares of stock. A profit-sharing plan may simply entail a distribution of a specified share of the profits or a share of profits that exceed a target amount. Profit sharing provides a more direct work incentive in small companies than in large companies, because the connection between individual performance and company success can be more easily appreciated.

Performance-based compensation systems must be designed carefully if they are to work successfully. Such plans should be devised with the aid of a consultant and/or public accounting firm.

5.6.4 Text D. Fringe Benefits

Vocabulary Notes:

fringe benefits - дополнительные выплаты, дополнительные льготы;

survey - обзор;

generous - щедрый;

substantial - значительный;

reimbursement - возмещение, оплата, компенсация, покрытие; возврат.

Fringe benefits, which include payments for such items as Social Security, vacations, holidays, health insurance, and workers' compensation insurance, are expensive. According to a survey of 1993 compensation costs, the cost of fringe benefits amounted to 41.3 percent of payroll costs. This means that for every dollar paid in wages, employers paid 41.3 cents for fringe benefits. (If the cost of fringe benefits were expressed as a percentage of total compensation costs—that is, payroll plus fringe benefits—the figure would be lower than 41.3 percent.) Small firms are somewhat less generous than large firms in providing fringe benefits for their employees. The same survey of compensation costs cited above reported that firms having fewer than 100 employees spent an amount equal to 35.7 percent of their payroll for such benefits. However it is calculated, the cost of fringe benefits is a substantial part of total labor costs for most small firms.

Even though fringes are expensive, a small firm cannot ignore them if it is to compete effectively for good employees. A small but growing number of small firms now use flexible benefits programs (or cafeteria plans) that allow employees to choose the type of fringe benefits they wish to receive. All employees may receive a core level of coverage, such as basic health insurance, and then be allowed to choose how some amount specified by the employer is to be divided among additional options—for example, child care reimbursement, dental care, pension fund contributions, and additional health insurance.

Outside help in administering cafeteria plans is available to small firms that wish to avoid the detailed paperwork associated with them. Many small companies—including some with fewer than 25 employees—turn over the administration of their flexible benefits plans to outside consulting, payroll accounting, or insurance companies that provide such services for a monthly fee. In view of the increasing popularity of these plans and the wide availability of administrative services, it seems only a matter of time until many small firms will be offering flexible benefits.

5.6.6 Exercise 1. Remember the word combinations and expressions related to one's qualification

A skill is the ability to do something well, especially because you have learned how to do it and practiced it. Jobs, and the people who do them, can be described as:

Highly-skilled (e.g. car designer) **skilled** (e.g. car production manager) **semi-skilled** (e.g. taxi driver) **unskilled** (e.g. car cleaner)

You can say that someone is:

Skilled at + noun (customer care, electronics, computer software)

Skilled in + -ing (communicating, using PC, working with large groups)

You can also say that someone is:

Good with ... computers, figures, people

5.6.7 Exercise 2. Are these jobs generally considered to be highly skilled, skilled, semi-skilled, or unskilled? Each expression is used twice

1 teacher

2 brain surgeon

3 car worker on a production line

4 airline pilot

5 office cleaner

6 labourer (someone doing basic work on a building site)

7 bus driver

8 office manager

5.6.8 Exercise 3. Match the following job titles with the descriptions:

a. supervisor	1. The person who represents the workers' interests in disputes with the management in a factory
b. personnel officer	2. A person who has a high (but not the highest) position in a company and whose job it is to make important decisions.
c. union official	3. The person in an office who works for someone else and does jobs such as arranging meetings, making phone calls, and preparing letters
d. director	4. An important person in a company who sits on the Board.
e. public relations officer	5. A worker whose job requires no special training
f. unskilled worker	6. A person generally in charge of the day-to-day administration in a company.
g. labourer	7. A person whose job it is to keep an eye on the day-to-day work of other workers.
h. administrator	8. A person who does hard physical work.
i. executive manager	9. The person who handles applications for vacant posts
j. secretary	10. The person who gives out information to the press for a company.

5.6.9 Exercise 4. Learn the following false friends

prospect - перспектива, а не проспект;

intelligent - обладающий высокими способностями; мыслящий,

понимающий;

trivial - незначительный, неважный, несерьезный;

authority - власть, (реже – авторитет);

record - запись, отчет, пластинка, а не только «рекорд»;

credit - вера, доверие, хорошая репутация, доброе имя;

data - данные, а не дата;

accuracy - точность, правильность, а не аккуратность;

candidate - претендент;

to collect - собирать, а не только «собирать» или «коллекционировать».

1 Explain the importance of employee recruitment, and list some sources that can be useful for finding suitable applicants.

- Recruitment of good employees contributes to customer service and to profitability.

- Small firms can attract applicants by stressing unique work features and opportunities.

- Recruitment sources include walk-ins, schools, public and private employment agencies, employee referrals, advertising, and temporary help agencies.

- Job descriptions outline the duties of the job; job specifications identify the skills needed by applicants.

2 Identify the steps in evaluating job applicants.

- Application forms help obtain background information from applicants.

- Additional evaluation steps are interviewing, checking references, and administering tests.

- The final evaluation step is often a physical examination.

3 Describe the role of training for both managerial and nonmanagerial employees in the small firm.

- Training enables employees to perform their jobs and also prepares them for advancement.

- An orientation program helps introduce new employees to the firm and work environment.

- Training is one component of a firm's quality management program.

- Training and development programs are applicable to both managerial and nonmanagerial employees.

4 Explain the various kinds of compensation plans and the differences between day-work and incentives.

- Small firms must be competitive in salary and wage levels.

- Day-work systems base compensation on increments of time.

- Incentive systems relate compensation to various measures of performance.

- Fringe benefit costs average 41.3 percent of payroll cost for all employers and 35.7 percent for employers having fewer than 100 employees.

- Employee stock ownership plans enable employees to own a share of the business.

5.7 Discussion questions

1 As a customer of small businesses, you can appreciate the importance of employees to their success. Describe an experience you've had in which an employee's contribution to his or her employer's success was positive and one in which it was negative.

2 What factor or factors would make you cautious about going to work for a small business? Could these reasons for hesitation be overcome by a really good small firm? How?

3 Under what conditions might walk-ins be a good source of employees?

4 Based on your own experience as an interviewee, what do you think is the most serious weakness in the interviewing process? How could this be remedied?

5.8 Experiential exercises

1 Examine and evaluate the help-wanted section of a local newspaper. Summarize your conclusions and formulate some generalizations about small business advertising for personnel.

2 With another student, form an interviewer-interviewee team. Take turns interviewing each other as job applicants for a selected type of job vacancy. Critique each other's performance by using the interviewing principles outline in this chapter.

3 With another student, take turns role-playing trainer and trainee using the Job Instruction Training method outlined in this chapter. Each student-trainer should select a simple task and teach it to the student-trainee. Jointly critique the teaching performance after each episode

Resources

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