Appendix Listening Scripts

Unit 1
Globalization Trend

Part A Business News

News Item One Slowbalization

Today's trade tensions are compounding a shift that has been under way since the financial crisis in 2008-2009. Cross-border investment, trade, bank loans and supply chains have all been shrinking or stagnating relative to world GDP. Globalization has given way to a new era of sluggishness. Adapting a term coined by a Dutch writer, we call it "slowbalization".

Yet slowbalization has two big disadvantages. First, it creates new difficulties. Between 1990 and 2010 most emerging countries were able to close some of the gap with the developed ones. Now more will struggle to trade their way to riches. And there is a tension between a more regional trading pattern and a global financial system in which Wall Street and the Federal Reserve set the pulse for markets everywhere. Most countries' interest rates will still be affected by America's even as their trade patterns become less linked to it, leading to financial turbulence. The Fed is less likely to rescue foreigners by acting as a global lender of last resort, as it did a decade ago.

Second, slowbalization will not fix the problems that globalization created. Automation means there will be no renaissance of blue-collar jobs in the West. Firms will hire unskilled workers in the cheapest places in each region. Climate change, migration and tax-dodging will be even harder to solve without global cooperation. And far from moderating and containing China, slowbalization will help it win regional hegemony yet faster.

Globalization made the world a better place for almost everyone. But too little was done to mitigate its costs. The integrated world's neglected problems have now grown in the eyes of the public to the point where the benefits of the global order are easily forgotten. Yet the solution on offer is not really a fix at all. Slowbalization will be meaner and less stable than its predecessor. In the end it will only feed the discontent.

News Item Two Apple and Globalization

Mr. Cook's bet on China extended beyond its factories to its consumers. Sales to the region have risen from next to nothing in 2010 to $52 billion last year, or almost a fifth of Apple's revenues. Since Donald Trump's election in 2016, "Tim Apple" (as America's president once called him) has jetted to Washington and Beijing to try to ease rising trade tensions between the two superpowers. Horace Dediu, a technology analyst, says Mr. Cook "knows how to navigate the political mind".

Given his reputation as a logistical mastermind, it is worth asking why he has ignored the first rule of supply-chain management: the risk of keeping too many important eggs in one basket. In Mr. Cook's case, that basket is China. The trade bust-up is getting uglier. If it leads to an anti-American backlash in China, it could spell trouble for Apple—and for Mr. Cook personally.

Mr. Cook's lobbying has helped Apple avoid direct hits from Mr. Trump's tariffs, already imposed on $250 billion-worth of Chinese imports. But its shares have fallen by almost 12% in the past month. On June 1st, after *The Economist* went to press, China was expected to retaliate with tariffs on $60 billion of American goods, including components for Apple devices. Mr. Trump has threatened a levy of 25% on $300 billion more of imports if trade talks do not produce a breakthrough. This would cover the iPhone, by far Apple's biggest source of revenue. Morgan Stanley, a bank, estimates that it could add $160 to the cost of a $999 iPhone XS. Apple could absorb the cost or pass it on to buyers. Either way, profits would suffer.

A more immediate threat may be a Chinese reprisal for the Trump administration's decision in May, on national-security grounds, to stop American companies from supplying Huawei, China's tech champion (and the biggest seller of smartphones in China), with chips, software and other technology. A Chinese consumer boycott of Apple products could accelerate their shift towards other cheaper brands. Because of the trade tensions, Citi, a bank, has halved its forecast for iPhone sales in China in the second half of this year, from almost 14.5 million to 7.2 million units.

Others reckon that Apple could offset Chinese losses by luring customers away from Huawei in other countries—but only if it could continue to churn them out in Chinese factories.

Part B Who Benefits from Globalization

An IMF representative has come to CCTV 9 Dialogue program to talk about globalization process. The focal point is "Who Benefits from Globalization?"

CCTV Hostess: Many people are worried but more seem to be confused. What is "globalization" after all?

IMF Representative: Well, the term "globalization" has acquired considerable emotion. Some view it as a process that is beneficial—a key to future world economic development. It is also inevitable and irreversible. Others regard it with hostility, even fear, believing that it increases inequality within and between nations, threatens employment and living standards and prevents social progress.

Actually economic "globalization" is a historical process. It is the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders. There are also broader cultural, political and environmental dimensions of globalization.

CCTV H: That sounds very good. I mean the free flow of goods, people and technology. But why are people so worried about globalization?

IMF R: Because markets promote efficiency through competition and the division of labor, this means the specialization allows people and economies to focus on what they do best. On the one hand global markets offer greater opportunity for people to tap into more and larger markets around the world, so they can have access to more capital flows, technology, cheaper imports, and larger export markets. But on the other hand, markets do not necessarily ensure that the benefits of increased efficiency are shared by all countries. You must be prepared to embrace the policies needed, and in the case of the poorest countries may need the support of the international community as they do so.

CCTV H: So what you mean is that if poor countries do not have the correct policies they can neither enjoy the market efficiency nor benefit from the market opportunities.

IMF R: Exactly. The 20th century saw unparalleled economic growth, with global per capita GDP increasing almost five-fold. But this growth was not steady—the strongest expansion came during the second half of the century, a period of rapid trade expansion accompanied by trade, and somewhat later, financial liberalization.

It is also quite obvious that the progress was not evenly dispersed. The gaps between rich and poor countries, and rich and poor people within countries, have grown. The richest quarter of the world's population saw its per capita GDP increase nearly six-fold during the century, while the poorest quarter experienced less than a three-fold increase. Income inequality has clearly increased.

CCTV H: Can you give specific examples to illustrate in what way poor countries have not fully benefited from globalization?

IMF R: Sure. I can. Consider four aspects of globalization：

- ◆ First, trade: Developing countries as a whole have increased their share of world trade, but great variation exists among the major regions. For instance, the newly industrialized economies (NIEs) of Asia have done well, while Africa as a whole has fared poorly. Despite the strongest rise in the export of manufactured goods, the share of primary commodities in world exports—such as food and raw materials—that are often produced by the poorest countries, has declined.
- ◆ Second, capital movements: Many people associate globalization with sharply increased private capital flows to developing countries during much of the 1990s. However, The capital

flow has been volatile and up to crisis. First, it shows that the increase followed a particularly "dry" period in the 1980s. Second, net official flows of "aid" or development assistance have fallen significantly since the early 1980s. Third, the composition of private flows has changed dramatically. Direct foreign investment has become the most important category.

◆ Third, movement of people: Workers move from one country to another partly to find better employment opportunities. The numbers involved are still quite small, but in the period 1965-1990, the proportion of labor forces round the world that was foreign born increased by about one-half. Most migration occurs between developing countries.

◆ Fourth, spread of knowledge (and technology): Information exchange is an integral, often overlooked, aspect of globalization. For the poorest economies in the world, due to infrastructure and policy constraints, they are lack of ability to attract any FDI. This makes them even more marginalized, for direct foreign investment brings not only an expansion of the physical capital stock, but also technical innovation. More generally, knowledge about production methods, management techniques, export markets and economic policies, is available at very low cost, and it represents a highly valuable resource for the developing countries.

CCTV H: Em..., but then how can developing countries catch up more quickly in the process of globalization? What can they do?

IMF R: Many factors can help or hinder globalization process. We can learn from the experience of the countries that have increased output most rapidly. Their experience shows the importance of creating conditions that are conducive to long-run per capita income growth.

Economic stability, institution building, and structural reform are at least as important for long-term development as financial transfers. What matters is the whole package of policies, financial and technical assistance, and debt relief if necessary.

CCTV H: Hold on, sorry to interrupt, but with regard to package of policies, what can the government do specifically?

IMF R: OK. I will explain one by one. Components of such a package might include:

- Macroeconomic stability to create the right conditions for investment and saving;
- Outward oriented policies to promote efficiency through increased trade and investment;

- Structural reform to encourage domestic competition;
- Strong institutions and an effective government to foster good governance;
- Education, training, and research and development to promote productivity; and
- External debt management to ensure adequate resources for sustainable development.

All these policies should be focused on country-owned strategies to reduce poverty by promoting pro-poor policies that are properly budgeted—including health, education, and strong social safety nets. All these will add greatly to their chances of success.

CCTV H: We have learned a great deal from you today. Thank you very much indeed for coming to our studio.

IMF R: It’s my pleasure.

Part C G20 Leaders Promise Measures to Fight Global Recession

This is the VOA Special English Economics Report. Leaders of the world’s largest rich and developing economies met Thursday in London. The Group of Twenty agreed to an additional trillion dollars for the International Monetary Fund and other lenders to strengthen the world economy and trade. President Obama says the G20 summit will be a “turning point” in seeking global economic recovery.

The leaders promised to keep closer watch over banks, hedge funds, credit rating agencies and executive pay. They also agreed to act against countries that provide tax shelters for the wealthy. And they agreed to form a supervisory group to warn of problems in the world financial system.

The G20 is nineteen countries and the European Union. Members represent about ninety percent of world economic activity and eighty percent of trade.

Finance ministers and central bankers formed the group ten years ago in 1999 to give more attention to developing nations. Leaders met in November 2008 in Washington for the first time. They plan to meet again in September.

Developing economies like China, India and Brazil want greater influence over international financial policy and groups like the IMF. Western countries now see the developing nations as important partners in the effort to get the world economy growing again.

The currency most commonly used in foreign trade is the dollar. But last week, the governor of the Chinese central bank suggested that the dollar be replaced as the world's leading reserve currency. Zhou Xiaochuan called for a new currency disconnected from individual nations—such as using what are called Special Drawing Rights.

The International Monetary Fund created the Special Drawing Right, or SDR, forty years ago. The value is based on several major currencies. Today the IMF and some other international organizations mainly use it as an accounting tool.

Last week a United Nations group of experts also urged a new global reserve system—an expanded version of Special Drawing Rights. At the G20 meeting, Russian President Dmitri Medvedev called for a study of a new reserve currency. He said it would probably be wise to support the creation of strong regional currencies and use them as the basis, possibly also using gold. However, few experts see a threat to the dollar, at least for now.

And that's the VOA Special English Economics Report, written by Mario Ritter. For more on the London summit, go to voaspecialenglish.com. I'm Steve Ember.

Unit 2
Hot Issues in International Trade

Part A Business News

News Item One China Suffers the Most in Anti-dumping Disputes for Nine Consecutive Years

China has been subject to increasing foreign anti-dumping, anti-subsidy, protection measures and special safeguard investigations since its entry into the World Trade Organization. The number and the amount of money involved in such cases have been on the rise. China has suffered the most in anti-dumping investigation in the world for nine consecutive years.

According to Wang Shichun, director of the Bureau of Fair Trade for Import and Export under the Ministry of Commerce, China has suffered 46 anti-dumping, anti-subsidy protection measures and special safeguard investigations from 12 countries and regions in the first three quarters this year, 4.5 percent higher than the same period of last year. The amount of money involved reached $1.1 billion, 1.5 percent more than that of last year.

Starting from 1979 to the end of September 2004, 34 countries and regions launched altogether 665 disputes of anti-dumping, anti-subsidy protection measures and special safeguard investigations against Chinese products, including 594 anti-dumping disputes, 2 anti-subsidy disputes, 58 protection measure disputes and 11 special safeguard disputes. More than 4,000 commodities are involved. Because of this China suffered a tremendous economic loss valued at $19.1 billion in terms of foreign trade.

News Item Two　Chinese Investors Bump on Their Heads in the US

In 2012, nearly $161 billion in foreign direct investment (FDI) flowed into the US and in 2011, US affiliates of foreign firms employed 5.6 million US workers, according to a Department of Commerce report. Last year's figure included $6.7 billion FDI from China, according to the Rhodium Group. The group's latest report showed that Chinese firms spent nearly $5 billion on M&A and Greenfield projects in the US in the first half of this year, while another $10 billion in deals were announced or pending.

During the 5th China-US Strategic and Economic Dialogue in Washington last month, the two countries agreed to enter a new stage of negotiation in a Bilateral Investment Treaty (BIT). While the US applauded China's consent to start talks covering all industries, China hopes a BIT will help better protect the interests of the increasing amount of outbound Chinese investment coming to the US.

At the conclusion of the dialogue last month, the US agreed that reviews by the Committee on Foreign Investment in the United States (CFIUS) will be based only on national security concerns and not on economic policy. Some US lawmakers and politicians, however, have called for an expansion of reviews to include economic security after China's Shuang-hui

International proposed two months ago to buy Smithfield Foods, the largest US pork producer, for $4.7 billion.

China has repeatedly expressed its dissatisfaction with the US' treatment of Chinese investors and the CFIUS process, which China described as "not fair and transparent". Since China National Offshore Oil Company (CNOOC) was forced to withdraw its $18.5 billion takeover bid for California energy firm Unocal in 2005 after vehement attacks by US lawmakers citing national security concerns, Chinese telecom equipment giant Huawei has also undergone frustrations in the US market in its M&A bids when national security was raised as a concern.

In September of last year, Ralls Corp, which is owned by executives of Chinese firm Sany, was ordered by President Obama to divest its wind mill investment near a military facility in Oregon. Ralls is still pursuing a lawsuit against Obama.

The US now lags far behind the European Union in attracting the ballooning Chinese FDI, which hit $23.8 billion in the first quarter of this year. Henry Levine, senior director at the consulting firm Albright Stonebridge Group, said while the US federal and local governments are making efforts to attract foreign investment, including Chinese investment, much more could be done. "It's very important for us to ensure our broad national security concern doesn't spill over unnecessarily into our trade and investment relationship with China," he told a business forum in Washington last week.

Part B Central Bank Governor on RMB Exchange Rate

Governor of the People's Bank of China Zhou Xiaochuan made responses on issues such as the exchange rate of the Chinese currency Renminbi (RMB) and China's trade balance during an interview with Xinhua correspondent recently. Following are the questions and Zhou's answers:

Xinhua correspondent: Hello, governor, it's our pleasure to have you here into our studio. As we all know, two hot issues in China's international trade are RMB exchange rate and China's huge foreign reserves, two questions Mr. Horst Kohler, managing director of the International Monetary Fund (IMF) and Mr. John Snow, treasury secretary of the United States raised during their recent visits to China. First of all what do you think of the fixed exchange rate of the RMB?

Zhou: It's my pleasure to be here and explain some of the policies we hold about exchange rate. China has moved away from the fixed exchange rate and carried out unified, managed floating exchange rate since 1994 based on market supply and demand of foreign exchange. Between 1994 and 1997, the exchange rate of the RMB against the US dollar appreciated steadily from 8.71, reflecting the feature of a managed floating rate.

However, by the end of 1997, at the request of neighboring economies and international institutions, China substantially narrowed the floating band of the RMB exchange rate. This has helped reduce the shock of the Asian financial crisis and dispel the fear of RMB devaluation. This narrowing of the band should be looked at as a responsible reaction but not as a change from floating to fixed regime. China soon resumed its original band and improved the formation mechanism of the RMB exchange rate, recognizing that the Asian crises had been over and their related problems had been solved. It will be China's policy to follow the market and economic situation when it comes to exchange rate.

Xinhua correspondent: Thank you for your answer about the exchange rate issue, which some western countries unfairly condemned as manipulation by the government. Now let's move on to the second issue. Will China continue to maintain large trade surplus and high foreign reserves growth?

Zhou: As a central bank, we are clear that the Chinese government does not pursue trade surplus, but rather aims at a rough overall balance in the current account. It is also a policy followed by the Ministry of Commerce, and the intention of the present government as well.

The government has never pursued rapid growth of foreign exchange reserves. As a matter of fact, in the 1990s China used to record a low level of foreign reserves, so it was necessary to expand them to be compatible with the level of import and external debts. It was the outbreak of the Asian financial crisis in 1997 that has led us to reconsider the appropriate level of foreign reserves among Asian countries and a higher level was thought to be desired. Since then China's foreign exchange reserves have recovered to an adequate level and are no longer expected to grow at a high rate. With continuous expansion of import and export and capital inflows to China, we would be comfortable to have a moderate growth.

Xinhua correspondent: But the fact remains that China's present exchange reserves are very high. Will China be able to achieve a rough overall trade balance as a policy objective?

Zhou: Ah, ha, that's a tough question. When we discuss issues we have to put them into historical context. One reason that accounts for the rapid increase of foreign exchange reserves is the preparation for the resumption of China's WTO status. At that time, many people predicted that China's import would surge and exceed potential growth of export as a result of substantial reduction of tariff and non-tariff measures, including import quota and further opening up of service sector. By the end of 2001 when China was formally accepted as a member of the WTO, we entailed a series of trade reforms to comply with the WTO rules. Naturally during this period unlike many other countries, China overhauled its trade policy. It turned out that while China's import in 2002 recorded a rapid expansion, export also surged, resulting in a trade surplus of $30.4 billion. It is difficult to predict whether China will record trade surplus or deficit in the following years.

In the five years following the accession to the WTO, China continued to cut tariff and relax quantitative import restrictions. We also further liberalize service trade, including financial and communication sector. All these have increased the difficulty to forecast current account balance. Since the beginning of world financial crisis, the growth of China's imports has accelerated. We sent several procurement delegates to Europe and the US. We continue to buy the Treasury bills—the US government bonds to help reduce the effect of this financial crisis. In the first half of this year, China's trade surplus has reduced. Estimates generally show that the growth of imports will be approximately nine percentage points higher than that of exports this year. Eventually with a trend of imports outgrowing exports, China's trade will balance in a year or two. Based on this trend, it is too early to judge whether the RMB exchange rate is undervalued or overvalued. Therefore it would be unwise to make exchange rate adjustments on such a ground.

Xinhua correspondent: Given China's export composition is it possible to address Sino-US trade imbalance by means of exchange rate?

Zhou: It is known that a country's exchange rate is related with its balance of payments. However, it depends on the country's overall trade balance rather than on bilateral trade balance. Bilateral trade balance may be affected by structural, political and other factors. International trade theories and WTO spirit call for multilateral-trade balance rather than bilateral trade balance.

Given the two countries' existing economic and trade structure, the United States would continue to have big trade deficit with China, even if China achieved an overall current account balance through changes in trade and currency policies. The US trade deficit may be attributable to structural imbalances and fiscal deficits in the United States rather than the RMB exchange rate.

Part C The Future of Fair Trade

CCTV Dialogue Program Hostess has invited a professor Gertrude Hoffman from the London School of Economics to talk about free trade as opposed to fair trade.

CCTV Dialogue Program Hostess: Dr. Hoffman, there is a great deal of debate in the political and the business world, and also in the public sector over Free Trade versus Fair Trade. So what exactly is Free Trade and what is Fair Trade?

Dr. Hoffman: Well, Free trade is defined as:

- First, the trade of goods without taxes (including tariffs) or other trade barriers (e.g., quotas on imports or subsidies for producers)
- Second, the absence of trade-distorting policies (such as taxes, subsidies, regulations or laws) that give some firms, households, or factors of production an advantage over others
- Third, free trade allows free access to markets and market information
- Fourth, free trade guarantees free movement of labor between and within countries and
- Finally, free trade means free movement of capital between and within countries.

To sum up, the focus of free trade is on creating a level playing field between the trader and the producer with the idea of creating better market efficiency and higher profits.

On the other hand, the definition of Fair Trade by the Fair Trade Federation (FTF) is:

- First, paying fair wages in local context
- Second, supporting participatory work places
- Third, ensuring environmental sustainability
- Fourth, supplying financial and technical support
- Fifth, respecting cultural identity
- Sixth, offering public accountability, and
- Seventh, educating consumers

The idea is to protect the developing nations and its workers from potential exploitation, both environmentally and financially, by wealthier nations and large corporations. Fair Trade practices also promote the building of infrastructure to encourage growth within the developing world.

CCTV Dialogue Program Hostess: Em... it sound, good to talk about fair trade. Actually, over the years， due to globalization strategy of the multinational corporations, Fair Trade practices have been widely adopted and become a movement. In your opinion, what are the main goals of Fair Trade movement?

Dr. Hoffman: The long-term vision for the Fair Trade movement is that artisans everywhere would be treated with dignity and that they would be paid fairly and have opportunities and access to markets to sell their goods. I think that specific goals of the Fair Trade movement right now are focused on continuing to raise issues of education and awareness, so that we have informed consumers who know what options are out there. I think that's the immediate goal. It's important to educate consumers, raise awareness about fair trade, with that long-term vision of fair trade being a given. Everyone would be treated in the marketplace as producers fairly, and as workers being paid fairly.

CCTV Dialogue Program Hostess: What is your prediction about the future of Fair Trade?

Dr. Hoffman: There is a variety of directions of where Fair Trade is headed and what the future of Fair Trade will look like. I think that Fair Trade is already growing in popularity, and I think that you can expect, in the future, to hear more about Fair Trade and to see more Fair Trade options. I am always excited to see Fair Trade options available and realized in some unlikely places. Sometimes unknown companies talk about Fair Trade issues, find a great product that they want to sell in their stores, and that's a fair trade product. You will see a lot of products that are just appearing in the mainstream as Fair Trade products because they are great products to sell and satisfy the requirements of being in the Fair Trade. I have seen a small community workshop in Beijing that sells handmade stuff of traditional arts and crafts. Some fashion designers of Cheongsam and Chinese traditional costume in Beijing sell to global customers through their own website. As businesses like that become more and more popular it is evident that in the future we will see more of these kinds of business organizations.

Unit 3
Making Economic Sense

Part A Business News

1) The surprise increase in UK consumer price inflation during August raises a distributing question. Could the Bank of England face a similar policy dilemma to that of the European Central Bank? Confronted by sticky consumer price inflation, the ECB has felt unable to cut interest rate for more than two years.—*Financial Times*

2) A proposed amendment raising the threshold at which personal income is levied has met with a mixed response from national legislators in China. While welcoming the amendment in principle, many members of the Standing Committee of the 10th National People's Congress, China's top legislature called for the threshold to be raised even higher to benefit more low earners.—*China Daily*

3) A group of small EU countries are seeking to water down some of the key proposals in G8 debt relief deal agreed last week by G8 leaders at Gleneagles, leaked documents have revealed.—*The Guardian*

4) Crude oil prices hit a record 68 dollars a barrel after the US reported a decline in petrol stocks and China said its crude imports spiked in July, as strong demand on the mainland shows no signs of easing. Front-month October contracts on the New York Mercantile Exchange

touched 68 dollars a barrel mid-morning in Singapore before easing slightly to 69, a gain of 44 cents from Wednesday's closing in New York. On an inflation-adjusted basis, oil prices would need to hit about 90 dollars a barrel to match the highs of 25 years ago.—*The Times*

5) The FTSE 100 Index was in the red for the third consecutive session as traders fretted over sharp falls in stocks across the Atlantic. Fresh record oil prices prompted an 85-point drop by the Dow Jones Industrial Average on Wednesday night, which had a knock-on effect on sentiment in London. Oil-dependent stock British Airways was among the hardest hit as the Footsie retreated 20.4 points to 5,254.8 in the first hour of trading.—*The Times*

Part B Business Reports in Face of the Worst Financial Crisis

Hello to you, I'm Creshon Saunders at the CNN.com newsroom in Atlanta. Here is a look at what's happening NOW IN THE NEWS.

1) President Obama is unveiling his budget this week. The President wants to cut the federal deficit by half over the next four years. To do this, though, he plans to raise taxes on businesses and also on people, making more than 250,000 dollars a year. He also plans to reduce spending on the wars in Iraq and Afghanistan.

2) President Obama is set to unveil his $50-billion program targeting the housing crisis today; sources say the government will cut monthly mortgage payments, allow more borrowers to refinance their loans and give bankruptcy judges greater power to modify mortgages. According to realtytrac.com, state with the highest foreclosure rate is Nevada, where one out of every 76 housing units is now in foreclosure. California and Arizona are the second and third respectively.

3) And US automakers are now asking for more federal bailout money, GM says it's now going to need a total of $30 billion in bailout money in the worst-case scenario. It has already received 13.4 billion and was set to receive another promised four billion. As for Chrysler, it is seeking another five billion in government loans on top of the four billion it has already received.

4) Secretary of State Hillary Clinton is headed back home after wrapping up her first overseas

trip as the top US diplomat. She attended church services in Beijing this morning. Clinton talked with Chinese leaders over the weekend to urge them to continue to invest in the US to help end the global financial crisis.

5) Meanwhile, out west California is still trying to get its budget passed. Lawmakers are still trying to figure out how to close this $42-billion budget gap. State leaders are now warning of a fiscal disaster if lawmakers can't reach an agreement. Also budget deals in Kansas may clear the way for state workers to get paid this week. Governor Kathleen Sebelius signed the bill calling for new cuts in the new budget.

6) One of the most expensive addresses in New York is up for sale. If staring up at the full 250 meters of the GM building might make you dizzy, then so will the price. This is a piece of real estate only billionaires can bid for. There are very few buildings like this in the world and certainly even fewer in Manhattan. It's the only corner in New York City that all floors really have a view of Central Park. It's an amazing and a trophy property. The auction bids on this fifty-story building has been topping 3 billion dollars.

7) Shares at Starbucks are sliding after the company reported lower sales. The worst economic crisis has put brakes on the expansion at home and made high quality brews in the US market more competitive. Even though Starbucks does have its diehard loyalists, virtually every customer we talked to pointed to one overriding concern—too expensive. "It's one of the first things that I tell myself like, if you cut off Starbucks you can save blah, blah... a month, you know. That's just being honest." In fact Starbucks is looking at new ways to appeal to price conscious consumers. The company is testing a "one dollar cup of coffee" in Seattle and free refills. That could be just the jolting cup of coffee needed to please customers nationwide at these troubled economic times.

Part C How to Be Exuberant and Rational

In December 1996, when Alan Greenspan made his famous comment on the possibility of "irrational exuberance" in stock prices, the Dow Jones industrial average stood at 6,400. At its peak in 2,000, the Dow hit 11,700. In the subsequent collapse, the index never returned to 1996 levels and now stands above 10,500.

The Fed should not try to burst a bubble by raising interest rate when the outlook does not demand it. Mr. Greenspan's view is based partly on the difficulty, for central bankers, of spotting the difference between an unsustainable surge in prices based on speculation and a sustainable one based on fundamentals. But Mr. Greenspan believes in any case that market forces should be allowed to play out and that it is the Fed's job to pursue policies aimed at low inflation and full employment, not to target asset prices. If a market shift threatens the core mandate, its job is to deal with the consequences.

Alan Blinder, the Princeton professor who is giving a paper on the Greenspan era at this week's Jackson Hole symposium, calls this *the Fed's "mopping up" strategy.*

Mr. Greenspan has long argued that there is no guarantee that raising interest rates would have allowed a more gradual deflation of the stock market bubble, pointing to evidence that stock prices rose after the end of the Fed tightening cycles in the late 1980s and early 1990s. Of course, if the Fed had raised interest rates high enough, it would eventually have affected the stock market, but that might also have thrown the economy into recession.

"It is far from obvious that bubbles, even if identified early, can be pre-empted at lower cost than a substantial economic contraction and possible financial destabilization—the very outcomes we are seeking to avoid," Mr. Greenspan told the American Economic Association last year. The short recession the US suffered in 2001 appears to provide vindication.

Mr. Greenspan has suggested that the Fed's success in securing low inflation and less volatile economic growth may itself lead to more speculation in asset markets, as investors conclude that these good times are likely to continue. Part of the next Fed chairman's inheritance will be a housing market that Mr. Greenspan has said is showing signs of "froth" in a number of cities, amid buy-to-let speculation that has resulted in "speculative fervor" in some areas. At their June meeting, the Fed's policymaking Federal Open Market Committee discussed house prices and came to the same conclusion as it had with the stock market: the Fed should deal with the consequences in the event of a market disturbance.

Henry Kaufman, the Wall Street economist, believes the FOMC is too sanguine: the housing market poses grave risks for the economy and the Fed's assurances that it will raise rates at a "measured" pace have contributed to a household debt-financed consumption binge and to speculative activity by investors. "The new exuberance is in the housing area, and that problem will have to be resolved by the next chairman," Mr. Kaufman says.

Unit 4
Consumer Behavior

Part A Business news

News Item One Pet Theories—Reigning Cats and Dogs

As pet ownership booms, a troubling question rears its head: who owns whom?

Petkeeping seems to kick in en masse when household incomes rise above roughly $5,000. It is booming. The trend is not a new one. Archaeologists have found 10,000-year-old graves in which dogs and people are buried together. Some cultures—such as in Scandinavia, where canines have long been both working dogs and companions—have kept pets for millennia. But these days the pet-keeping urge has spread even to parts of the world which have no tradition of snuggling up on a comfy chair with a furry creature.

The pet business is growing even faster than pet numbers, because people are spending more and more money on them. No longer are they food-waste-recyclers, fed with the scraps that fall from their masters' tables. Pet-food shelves groan with delicacies crafted to satisfy a range of appetites, including ice cream for dogs and foods for pets that are old, diabetic or suffer from sensitive digestion; a number of Internet services offer bespoke food, tailored to the pet's individual tastes.

In the business this is called "pet humanisation"—the tendency of pet owners to treat their pets as part of the family. This is evident in the names given to dogs, which have evolved from Fido, Rex and Spot to—in America—Bella, Lucy and Max. It is evident in the growing market for pet clothing, pet grooming and pet hotels. It is evident in the demand for breeds such as the French bulldog, which, tellingly, looks a bit like a human baby.

People still assume that pets must be working for humanity in some way, perhaps making people healthier or less anxious. But the evidence for that is weak. Rather, new research suggests that canines have evolved those irresistible "puppy-dog eyes" precisely to manipulate human emotions. It has worked. The species that once enslaved others now toils to pay for the care of its pets, which lounge on the sofa waiting to be taken to the grooming salon. Sentimental Americans often refer to themselves not as cat-owners but as the cat's "mommy" or "daddy". Koreans go one further, describing themselves as cat "butlers", pandering to every feline whim. Watch a hapless dog-walker trailing "his" hound, plastic bag in hand to pick up its mess, and you have to wonder: Who's in charge now?

News Item Two Preferences of the Millennial Consumers

Older people are not the only ones to try too hard to be hip and youthful. Long-established firms can, too. Just look at Procter&Gamble (P&G), one of the world's largest consumer-goods firms, which this year applied to America's federal patent office to trademark LOL, NBD, WTF and FML, abbreviations commonly used in text messages and social media. If it succeeds, the 181-year-old firm plans to use the phrases to market soap, cleaners and air fresheners to young buyers. Its move is the intellectual property equivalent of Dad dancing. But it is a sign of large firms' eagerness to woo millennial consumers.

To many firms they are a mystery. KPMG, a consultancy, reckons nearly half do not know how millennials—typically defined as those born between 1980 and 2000—differ from their older counterparts. Many claims about them are simplified or wrong. It is often said, for example, that they ignore conventional ads; in fact they are heavily influenced by marketing.

Companies are finding that three broad approaches do succeed when trying to sell to them: transparency, experiences (over things) and flexibility. On the first of these, transparency, younger brands have led the way. Millennials' appreciation of experiences over "stuff" is also real. Online platforms such as Airbnb have capitalized on youngsters' taste for splurging on holidays, dinners and other Instagrammable activities. Younger consumers also have more debt, fewer assets and less job security than previous generations. In this regard, flexibility matters. Big carmakers, including GM, Volvo and BMW, offer subscription services for their cars, offering access to new vehicles without lengthy financial obligations.

Yet many firms still have too homogeneous a view of millennials, says Laura Beaudin, a partner at Bain & Company, a consultancy. "If you want to resonate with a group that prides itself on diversity, having a one-size-fits-all solution does not make sense," she says. Gucci reportedly maintains a cadre of under-30 staffers to advise its boss. Expect more companies of a certain age to hark back to youth.

Part B Global Slump Casts a Pall over Consumers

Passage One

Squeezed by the global slowdown, consumers and companies in countries that celebrate the Lunar New Year, which begins this year on Jan. 26, are slashing their spending on traditionally lavish gifts, liquor and banquets.

In China, where many businesses count on the equivalent of a Christmas shopping boom for a big share of annual sales, the blow will hurt. It could further depress China's falling growth rate just as Beijing is rolling out a multibillion-dollar plan to boost consumer spending.

"We would estimate spending would be off 20 to 30 percent this year, which is rather critical for quite a large number of retailers and certainly restaurants," said Sam Mulligan, director of market research firm Data-Driven Marketing Asia, which surveyed 4,500 consumers in five major cities in December. "All of these areas are going to be hit hard."

At the International Exhibition Hotel in Dongguan, a manufacturing city in China's south that has been battered by the drop in exports, companies that splurged on lobster for employee parties in 2008 are ordering pork this year. A hotel saleswoman said bookings of banquet rooms are still above 90 percent, but companies are spending about half as much per table this year, about 2,000 yuan ($290).

Companies are also scaling down employee lotteries—a common feature of holiday parties.

"Prizes used to be cash—thousands of yuan (hundreds of dollars) for the top prize—or MP3 players, mobile phones or computers," said Nancy Zheng, a saleswoman for the Sofitel Royal Lagoon Hotel in Dongguan. "This year, most prizes are blankets, quilts and microwave ovens."

Independent economists expect China's growth rate to fall this year as low as 5 percent, down from an estimated 9 percent last year and 13 percent in 2007.

Hardest-hit have been areas that depend on exports, which fell 2.8 percent in December compared with 2007—a painful decline from double-digit growth earlier in 2008.

Thousands of factories in the southeast that made toys, shoes and other goods for export have closed, and the now-jobless migrants they employed have returned to their villages without annual bonuses to pay for New Year gifts and festivities. While many gifts are modest—oranges, chocolate or liquor—failure to bring them home could be a source of shame, and especially painful for parents who work away from home most of the year.

Other companies are expected to cut or withhold bonuses to preserve cash so they can outlast the slump. In a bid to hit sales targets before the economy declines further, one liquor producer has told distributors they must sell 25 percent of their 2009 quota in January alone or risk losing their franchises, Mulligan said.

Foreign companies also are cutting back, however—even those doing well in China like Germany's Daimler AG, which saw sales of its Mercedes cars here rise 44 percent last year. Daimler debated whether to have an employee party and decided to hold one at a less expensive venue than in 2008 and spend less on food and drink, spokesman Trevor Hale said.

The downturn has cut into sales of the ubiquitous red envelopes, or hongbao, in which Chinese traditionally enclose cash gifts for relatives and business contacts—and sometimes bribes for officials. Bonnie Chan, chief executive of Hong Kong printing company Icicle, said sales of hongbao, calendars and other holiday items are down 35 percent as commercial firms cut back.

Passage Two

The Baccarat chandeliers and gleaming marble floors of New York's Plaza Hotel would appear to have little in common with the cramped stalls of a Yemeni market. But in both, bargaining can lead to a better deal. The bad economy has made the Plaza more flexible, and if the price of a room sounds steep, would-be guests can negotiate it down. The hotel may even throw in free cocktails to sweeten the deal.

The hotel business is reeling as firms and families cut their travel budgets. But it is not the only industry that has become more willing to grant discounts to confident hagglers. Clothes and electronics shops have become particularly eager to move their merchandise, and consumers, aware of their desperation, have grown bolder. According to America's Research Group, a market-research firm, 72% of American consumers have haggled in the past four months, compared with 56% a year earlier. Britt Beemer, the firm's chief executive, estimates that they are successful 80% of the time.

Hunting for a bargain may be rooted in the American shopping experience, but haggling is not. Now that even big department stores such as Nordstrom will listen to customers trying to cut a deal, however, haggling is becoming more accepted, at least for as long as the recession grinds on. Even if they cannot get a discount, shoppers can ask for another item to be thrown in, or for the retailer to pay the shipping costs or the sales tax.

Haggling works best in hard-hit industries: car dealers are more willing than ever to hammer out a bargain now that sales have slumped, and property brokers will cut prices and fees when pushed. But the trend is spreading. Providers of phone and internet services are willing to cut monthly rates to keep customers from cancelling or switching. Richard Zeckhauser of Harvard Business School expects prospective students to negotiate more financial aid from universities. If they have the strength, patients can also haggle over medical bills.

Credit-card companies are being more flexible with customers who want interest rates reduced or late fees waived. Curtis Arnold, author of "*How You Can Profit From Credit Cards*", says more companies are creating "hardship programmes" that they tell consumers about only once they try to haggle.

In the long term, firms may suffer if American consumers get used to the idea of all this horse-trading. But in the short term, it could prop up sales. In New York's deserted shops, a haggler is better than no customer at all.

Part C Lifestyle Changes—Fitness and Health

Now it is time for our regular feature program *American Horizon*. I am your hostess McCain Tracy. Today I have invited Professor Ken Marches to our program and talk about *fitness and health* in America.

Hostess: Good morning, professor Marches. Welcome to our program.

Professor: My pleasure.

Hostess: Professor, what is American's overall attitude towards fitness and health?

Prof: Well, Americans generally do exercises regularly. With the crazy fast pace of work and pressure, their preoccupation with *fitness* and *health* has emerged as a core value. This value has manifested itself in a number of ways.

Hostess: How is this *fitness and health* value formed?

Prof: According to some, the fitness trend is an outgrowth of the "me generation". Today, nearly 70 percent of the population engages in one or more athletic activities daily, as compared with only 25 percent a generation ago. There are currently about 30,000 health clubs in the United States, up 20 percent only five years ago.

Hostess: What are the changes guided by this core value?

Prof: Traditional food manufacturers, for example, have begun modifying their ingredients to cater to the health-conscious consumers. For instance, Ragu Today's Recipe Pasta Sauces offer reduced fat and sodium to meet the demand for healthier foods. Slim-Fast, whose major product is a 190-calorie liquid substitute for meals, is the leader in the booming $1 billion meal-replacement category. Even frozen dinners have become more nutritious in recent years, and traditional "junk food" is trying to appear more healthful. "Light" versions of Ruffles, Cheetos, and Doritos, along with "low sodium", "no cholesterol", "no preservative" Sun Chips from

Frito-Lay try to persuade consumers that they are wholesome products.

Hostess: Then what is the biggest change among all?

Prof: Some of the biggest changes have occurred with respect to what people drink. Diet beverages are the super growth segment of the soft-drink industry. Coffee consumption has been declining since the 1980s. Americans are also abstaining from hard liquor. Over the past decade, the consumption of distilled spirits dropped 25 percent, and beer consumption has also declined. Nonalcoholic beer is the fast growing segment of the United States beer market, with growth up 48 percent during the first half of 1999. Paralleling this trend, the consumption of bottled water has grown rapidly, with per capita consumption jumping from 2.8 gallons in 1990 to 8.8 gallons in 1999, an increase of 214 percent.

Hostess: Based on what you have talked about, can we conclude that there is no denying fitness and health living is a trend in the United States?

Prof: Oh, definitely, and other countries are seen to follow this trend...

(Source: *Consumer Behavior* by Leon G. Schiffman)

Unit 5
Brand Equity and Global Brands

Part A Business News

News Item One The Battle of the Brands

Possibly no brand has done a better job of mining the potential of new brand-building principles than Korean consumer electronics manufacturer Samsung Electronics Co.. Less than a decade ago, it was a maker of lower-end consumer electronics under a handful of brand names. Over the past five years, No. 20 Samsung has posted the biggest gain in value of any Global 100 brand, with a 186% surge. Even sweeter, last year Samsung surpassed No. 28 Sony, in overall brand value. However, some of the older brands in our ranking are clearly struggling to remake their marketing and product mix for a more complex world. This year's biggest losers in brand value include Sony (down 16%), Volkswagen (down 12%), and Levi's (down 11%). VW acknowledges its brand value slippage.

Of course, defining the essence of a brand is only part of the battle. Communicating it to the consumer is the other. On this front, there has clearly been a divide between newer brands that use traditional advertising as just one tool in an overall marketing plan and older ones that grew up with it. Sony, for example, far outspends Samsung on traditional advertising in the US on electronics products. Many young brands that scored big gains in value, like Google, Yahoo and eBay, depend on their own interactive Web sites to shout about their brands.

News Item Two Yao Ming Sued Coca-Cola

ANCHOR

A very different kind of struggle is fizzing in China. Basketball sensation Yao Ming has filed a suit against soft drink giant Coca-Cola. The star athlete is accusing Coke of using his image illegally. The problem is, Yao is a spokesman for Coca-Cola rival, Pepsi. Shanghai's SBN has the details on the brewing controversy.

LI ZHUANGMIAO, SBN, CHINA

A picture featuring Yao and two other Chinese basketball players can be currently found on bottles of the popular soft drink. Yao has recently initiated legal proceedings against Coca-Cola for what he claims is an unauthorized use of his image. He is demanding the company to recall all products carrying his picture, to publicly admit their illegal act and publish a full apology through the media. The star is also asking for ten cents in compensation for emotional stress.

The rift comes after top athletes recently signed a publicity deal with Coca-Cola rivals Pepsi in early May. However, Coca-Cola argues, it has a legal right to use the image of Yao Ming and his teammates on their product packaging since they signed a contract with the publicity agent for the Chinese Men's Basketball Team in late March.

LI ZHUANGMIAO

But it seems that Yao is not about to let Coca-Cola get very far with its original plan. The NBA star insists that he is in the right since according to international laws, the company did not get his personal permission.

WANG XIAOPENG, ATTORNEY FOR TEAM YAO

From its global operating practices, Coca-Cola should know that they could only use the image if they get the permission of every team member. Even so, China's national law states that a person's image can only be used for advertising purposes if they have given personal authorization.

LI ZHUANGMIAO

The case is still continuing. Li Zhuangmiao SBN China for CNN World Report.

Part B Wal-Mart Learns a Branding Lesson

It has been a gloomy month for US retailers. Iconic brands such as Linens-n-Things and Mervyns are in liquidation, while former electrical retail powerhouse Circuit City filed for bankruptcy protection last week. Store sales are down at every major US retailer—except one.

On Thursday Wal-Mart announced a 7.5% increase in sales for the first three quarters of 2008. Chief executive Lee Scott was smiling when he declared his "optimism" for the upcoming holiday season, and Tom Schoewe, Wal-Mart's chief financial officer, was in an even more cheerful mood.

There are two reasons for Wal-Mart's success: one economic, one strategic.

On the economic front, Wal-Mart is benefiting from the change in the fortunes of the US consumer. In the past six months, the middle classes across the Atlantic have begun trading down in the millions. A recent survey from Bain & Company showed that US consumers are becoming more likely to trade down and that when they do they feel more educated and more satisfied as a consumer. Thrift is the new luxury, and Wal-Mart is enjoying a middle-class renaissance at the expense of its upmarket rivals.

But there is also a strategic reason why cash registers at Wal-Mart are beeping with such fury. It has learned one of the great secrets of branding the hard way. In 2006 the company made a huge, but relatively commonplace error. Frustrated with flat sales and shareholder pessimism, the leadership team at Wal-Mart decided to reposition the brand.

It's a tactic taught daily to business school students, and the theory behind it could not be simpler. Students are shown a perceptual map in which a brand is in close proximity to competitors and associated with lifeless values. Then the student is pointed to a golden land on the other side of the map, where the consumer's unfulfilled needs are and competitors are few and far between. The implication is obvious: change what the brand stands for and become popular and profitable again.

There is only one problem with brand repositioning: it does not work. Never in the history of marketing has a theory been embraced and attempted by so many, and failed so frequently. It's a peculiar kind of arrogance that fools a marketer into thinking that they can get inside a brand's genetic code and change it to improve its circumstances. I was taught a long time ago by marketers smarter than me that most of the brands I would work for were around before I was born, and would live on long after my death. Great brand managers never rate themselves as more valuable than the brands they serve.

In Wal-Mart's case, the brand repositioning was particularly bonkers. Out went founder Sam Walton's philosophy on reducing costs for small-town America. In came organic food, expensive jewellery and $500 bottles of wine. Celebrities like Destiny's Child were brought in to promote the brand, and Wal-Mart even invested in an ill-fated ad campaign in Vogue.

Last year, however, Wal-Mart realized that its repositioning strategy was not working, and shifted to a revitalization approach instead. Brand revitalization is a more simple, humble approach to brand change. First, go back to your history and remember what made the brand great in the first place. Second, revisit these associations but in a modern and contemporary way.

It's one of the hardest lessons in branding. To remain consistent to your brand you must change, not the brand itself, but the way the brand presents its enduring and eternal associations to new consumers experiencing a new set of circumstances.

Part C ZTE Silent Mode

An emerging Chinese telecoms giant is growing steadily—and stealthily.

In the last quarter of 2007 there were three new entrants in the top ten list of mobile-phone makers. Most people know two of them—Apple, maker of the iPhone, and Research in Motion (RIM), maker of the BlackBerry—but not the third: ZTE of China. Its worldwide market share went from 0.4% at the start of 2007 to 1.2% in the second quarter of 2008, according to Gartner, a consultancy. Last month it sold its 100 millionth phone. Its goal is to become the third-largest handset-maker, behind Nokia and Samsung (it now lies in the seventh place). Yet ZTE is easy to overlook, because of its distinctive business model.

Founded in 1985, ZTE chiefly makes networking gear, rather than phones. With prices for comparable products 25%～90% less than those of its Western competitors, ZTE has customers in over 60 countries. As Alcatel-Lucent, Nortel and other established telecoms-equipment makers have suffered, ZTE has thrived. Its revenues and profits increased by more than 50% in 2007. This year growth is also likely to be strong, for two reasons.

Export sales, which account for around two-thirds of revenues, continue to grow as poor countries expand the range and capacity of their mobile-phone networks. On October 13th, for example, ZTE announced a $400 million contract to provide equipment for a new network in India. At the same time ZTE (along with its domestic rival, Huawei), will benefit from one of the largest telecoms projects in history: the construction of China's much-delayed "third generation" (3G) mobile networks.

Behind ZTE's emergence are the usual factors that have come to be associated with China's economic rise, with a few twists. ZTE has benefited from the thousands of inexpensive and well-trained engineers coming out of China's universities, many of whom are deployed at short notice to work on large projects in some of the world's most difficult places. More fuzzy, but still important, has been ZTE's ability to use help from the Chinese government to arrange cheap financing for its global customers, which often lack capital.

Beyond these broader factors, ZTE has done a good job of understanding how to pursue a low-cost strategy—and there is far more to it than merely producing cheap products. "ZTE is a strong technology company, but of a particular sort," says James Liang, an analyst with Citigroup. ZTE focuses on making equipment that is cheap, reliable and unobtrusive.

In developed markets, makers of elaborate handsets such as Nokia, RIM and Apple have strong brands and fiercely loyal customers. This is a mixed blessing for network operators: offering a snazzy new handset can help them attract customers, but many users are more loyal to their handset-maker than to their operator. ZTE, by contrast, keeps itself in the background. It supplies handsets on a "white label" basis to operators, which then sell them under their own brands. The name ZTE is nowhere to be seen. In keeping with its roots as a network-equipment supplier, it sees operators, not consumers, as its customers.

ZTE moved into the handset market in 2002, and handsets accounted for 22% of its revenue last year; it expects this figure to reach 50% by 2012. ZTE does make some advanced handsets, but its strength is in combining low cost with a willingness to customize handsets for the operators. For Australia's Telstra, for example, it produced a "country phone", with a pull-out antenna, which suits people outside cities who need highly sensitive receivers. Although ZTE supplies phones to big names such as Vodafone and Telefónica, most of its customers are in the developing world, where overall handset sales are growing by 16% a year. ZTE's steady but stealthy rise reflects how much of the growth in telecoms is at the bottom of the economic pyramid.

Unit 6
Advertising Appeals—Image and Personality

Part A Business News

News Item One McDonald's Efforts to Change Its Image

Every day McDonald's serves 69 million customers, more than the population of Britain or France. The company has what is estimated to be the most valuable fast-food brand in the world, cherished as a cheap dining option for families. But do consumers perceive McDonald's as a socially or environmentally responsible company? If they do not, it is in spite of the best efforts of Bob Langert. In 1988, he took a temporary assignment managing a furore over polystyrene "clamshells" in which the company's burgers were served, and which were being damned for their contribution to America's litter problem. Apart from litter, he had to deal with animal welfare, environmental destruction, obesity and workers' rights.

Accomplishing change is not just a matter of the company snapping its fingers. Most McDonald's restaurants are operated by franchisees and its goods are bought from a wide range of suppliers, so three or four layers may separate the McDonald's head office and the cattle-rancher who supplies the firm's beef.

In the late 1990s, after complaints from campaign groups about the living conditions of hens, Mr. Langert visited an egg facility to find that conditions were indeed terrible. In August 2000 the firm said it would buy eggs only from suppliers that gave hens 72 square inches of space, compared with an industry average of 48 square inches. Suppliers resisted so strongly that McDonald's had to find new sources for its eggs.

But those who complied found that the mortality rates of hens decreased and egg-laying rates increased, offsetting the extra costs. Mr. Langert found it took a long time to get agreement within the company on a particular subject and then to persuade suppliers to comply. But once he reached that stage, he had enormous clout. Human working conditions also caused the company trouble. Another issue was the use of "trans fats" to cook the restaurant's fries, which were deemed to increase the risk of heart disease; it took six years for the chain to phase out the practice. But the company has also added more salads and healthy options.

Was all the effort worth it? It seems likely that many of the people who care a lot about these issues would never eat a fast-food burger in the first place. But Mr. Langert did more than most to reduce environmental waste and animal cruelty. A decent career record for an obviously decent man.

News Item Two　Outdoor Advertising—Sign of the Times

Innovations from online advertisers are being adapted to billboards. Most forms of conventional advertising—print, radio and broadcast television—have been losing ground to online ads for years; only billboards, dating back to the 1800s, and TV ads are holding their own. Such out-of-home (OOH) advertising, as it is known, is expected to grow by 3.4% in 2018, and digital out-of-home (DOOH) advertising, which includes the LCD screens found in airports and shopping malls, by 16%. Such ads draw viewers' attention from phones and cannot be skipped or blocked, unlike ads online.

Billboard owners are also making hay from the location data that are pouring off people's smartphones. Information about their owners' whereabouts and online browsing gets aggregated and anonymized by carriers and data vendors and sold to media owners. They then use these data to work out when different demographic groups—"business travellers", say—walk by their ads. That knowledge is added to insights into traffic, weather and other external data to produce highly relevant ads.

Such targeting works particularly well when it is accompanied by "programmatic" advertising methods, a term that describes the use of data to automate and improve ads. In the past year billboard owners such as Clear Channel and JCDecaux have launched programmatic platforms which allow brands and media buyers to select, purchase and place ads in minutes, rather than days or weeks. Industry boosters say outdoor ads will increasingly be bought like online ones, based on audience and views as well as location.

The outdoor-ad revolution is not problem-free. The collection of mobile-phone data raises privacy concerns. And criticisms of the online-ad business for being opaque, and occasionally fraudulent, may also be lobbed at the OOH business as it becomes bigger and more complex. The industry is ready to address such concerns, says Jean-Christophe Conti, chief executive of VIOOH, a media-buying platform. One of the benefits of following the online-ad trailblazers, he notes, is learning from their blunders.

Part B What Should You Spend on Advertising?

It's a ticklish question for every company. See what your rivals are doing, and then think about what's going to be effective.

One of the questions I'm frequently asked is: "How much should my company spend on marketing and advertising?" It's a conundrum that vexes many corporate leaders, from emerging entrepreneurs to seasoned CEOs. Unfortunately, instead of seeking a rational answer to the question, many of them just ignore it and hope it will go away.

As a rule, emerging companies focus most of their time and talents on meeting the needs of customers, as well they should. If they don't take care of the customers they already have, everything else will be academic. Strangely, however, many neglect the function of winning customers in the first place. Others naively assume that if they simply provide excellent products or services, their reputation will precede them. Call it the "build a better mousetrap" syndrome. But the world has too many other things to do with its time than beat a path to your door. That means you need to structure your profit-and-loss statement in such a way that you can profitably allocate a reasonable percentage of your revenue to marketing.

The Big Question: How Much?

While there is no definitive answer as to how much any business should spend on marketing, there are general guidelines any company can use to develop a formula that works for them.

Your first step should be to try to find out what the advertising-to-sales ratio typically is in your field. Public companies in your industry may give a figure for their marketing spending in their financial statements (found in their annual reports). With a simple calculation, you can figure out what percentage of their overall revenue that represents. If you can't find any public companies that seem similar enough to yours, you might want to start at 5% and then adjust your projected spending up or down based on the size of your market, the cost of media, what you can learn about how much your competitors are spending, and the speed at which you'd like to grow.

You'll also need to ask yourself if your business is built to leverage volume or to leverage margin. Even within industries, there are substantial differences in the marketing spending of volume-driven companies compared with margin-driven ones. Volume-driven companies tend to spend a tiny percentage of sales on marketing, in part because their large revenues enable small contributions to add up fast, and in part because of the margin pressures they face in having to compete with other high volume companies. By contrast, margin-driven companies tend to spend a larger percentage of sales on marketing: They have room in their margins to afford it, and they're often working from a smaller revenue base.

Retail industry provides some good examples. While Wal-Mart might spend a meager 0.4% of sales on advertising, the sheer size of the company turns that tiny percentage into a significant budget. Wal-Mart's nominally higher-margin competitor, Target, spends closer to 2% of its sales on advertising, while Best Buy, as a specialty retailer, spends upwards of 3%. Finally, more upscale stores like Macy's typically spend on the order of 5%.

The same kind of ratios can be seen in the car industry (automakers' generally spend 2.5% to 3.5% of revenue on marketing), liquor (5.5% to 7.5%), packaged goods (4% to 10%), and every other industry.

If you're in a services business, you might want to bump your starting point higher than 5%. For example, like most professional services firms, my company is more margin-oriented than volume-oriented, so fueling its growth requires that we spend a higher percentage of our revenues. Last year, our number was just over 8%, and I've seen companies spend upwards of 15% when warranted—especially young companies that need to invest to build their brand.

Part C Advertising Techniques in the Movie "Spider Man"

Advertisement for the movie Spider Man 2 was seen on the stairs of the Kyoto train station. Advertisers use several recognizable techniques in order to better convince the public to buy a product and shape the public's attitude towards their product. These may include:

1) Repetition: Some advertisers concentrate on making sure their product is widely recognized. To that end, they simply attempt to make the name remembered through repetition.
2) Bandwagon: By implying that the product is widely used, advertisers hope to convince potential buyers to "get on the bandwagon."
3) Testimonials: Advertisers often attempt to promote the superior quality of their product through the testimony of ordinary users, experts, or both. "Three out of four dentists recommend..." This approach often involves an appeal to authority.
4) Pressure: By attempting to make people choose quickly and without long consideration, some advertisers hope to make rapid sales: "Buy now, before they're all gone!"

5) Appeal to emotion: Various techniques relating to manipulating emotion are used to get people to buy a product. Apart from artistic expression intended to provoke an emotional reaction (which are usually for associative purposes, or to relax or excite the viewer), three common argumentative appeals to emotion in product advertising are wishful thinking, appeal to flattery, and appeal to ridicule. Appeals to pity are often used by charitable organizations and appeals to fear are often used in public service messages and products, such as alarm systems or anti-bacterial spray. Finally, appeals to spite are often used in advertising aimed at younger demographics.
6) Association: Advertisers often attempt to associate their product with desirable imagery to make it seem equally desirable. The use of attractive models, a practice known as sex in advertising, picturesque landscapes and other alluring images is common. Also used are "buzzwords" with desired associations. On a large scale, this is called branding.

Unit 7
Management Gurus

Part A Business News

A "Brewing Storm"—Bird Flu

US researchers have warned an avian flu outbreak in the United States is a "brewing storm", for which the whole country was woefully underprepared. Now 80 nations sent officials to Washington to mull the prospect of a potentially disastrous pandemic.

Researchers said bird flu posed a greater risk to the US mainland than a bio-terrorist attack. President George W. Bush has summoned the heads of giant pharmaceutical firms to the White House and urged them to speed up production of a bird flu vaccine.

"The highest possible threat is avian Flu," Jeffrey Duchin, epidemiologist for the University of Washington, told the Infectious Diseases Society of America's 43rd annual meeting in the west coast city of San Francisco. "You know the storm is brewing, it's about to hit us, we need to prepare, we have time, there's no excuse," he said, recalling how ill-prepared authorities were for the calamity of Hurricane Katrina in late August. "The problem with avian flu is that the amount of funding that has been dedicated to this is not in proportion to the magnitude of the threat," Duchin said. "There has been no money to planning for a pandemic like this."

Avian flu posed a greater danger to the United States than the possibility of hurricane, anthrax, small pox or plague bio-terror attacks. The chaos in New Orleans in the aftermath of Katrina that saw victims wait up to five days to be rescued from the flooded city had raised new worries for health experts.

Giant drug firms have been reluctant to produce vaccines for ailments like conventional influenza, as each year, the disease's biological structure is different, and millions of obsolete doses often go unused. "People are not inclined to produce product of which there is no market," Duchin said. A few blocks away, at the State Department, senior officials from 80 countries and eight major international organizations are discussing how to head off or contain any human variant of the bird flu strain.

Part B Two Great Corporate Leaders of the 20th Century—Jack Welch and Ballmer

Jack Welch's Leading Style

Welch has set a new, contemporary model for the corporations of the 21st century. It is a model that has delivered extraordinary growth, increasing the market value of GE from just $12 billion in 1981 to about $280 billion today. No one, not Microsoft's William H. Gates III or Intel's Andrew S. Grove, not Walt Disney's Michael D. Eisner or Berkshire Hathaway's Warren Buffet, not even the late Coca-Cola chieftain Roberto C. Goizueta or the late Wal-Mart founder Sam Walton has created more shareholder value than Jack Welch. So giddy are some Wall Street analysts at GE's prospects that they believe that when Welch leaves at the end of the year 2000, GE's stock could trade at $150 to $200 a share, up from $82 now, and the company could be worth $490 billion to $650 billion. Welch has led and managed GE to nearly unprecedented prosperity; his legacy will be to create more shareholder value on the face of the planet than ever—forever.

Few would dispute that Welch is seen as a demanding, no-nonsense executive who arouses a mixture of awe and fear. Aware of the daunting effect he can have on people, Welch works hard to counter that image. Not long ago, recalls human-relations chief William J. Conaty, a manager who had to make a presentation before Welch, “I was so jittery I was shaking”. It was the first time he had met Welch, who was swinging through St. Louis to meet with 10 different managers. “I’m so nervous,” the manager confessed to Welch. “And my wife has told me she’ll throw me out of the house if I can’t get through this presentation.”

At day’s end, when Welch was back on the corporate plane, he immediately arranged for a dozen roses and a bottle of Dom Perignon to be delivered to the man’s home. He then penned a note to the wife: “Your husband did a fantastic job today. We’re sorry we put him and you through this for a couple of weeks.”

Microsoft’s New CEO—Ballmer

If Gates is Rockefeller, then Ballmer is shaping up to be Microsoft’s Jack Welch—a visionary founder and a leader, like the legendary GE’s CEO, with the force of personality and management chops to reinvent a company in his own image. The 46-year-old Ballmer is not content to tend the machine Gates designed. His goal: to create a great, long-lasting company that will be even more successful in its second quarter than it was in its first. He says: “Now, there’s an opportunity to be really amazing—to be amazing as a business, to be amazing in the positive impact that we have on society. But we have to do some things differently to be as amazing as we hope we can be.”

Indeed, the CEO is calling on his colleagues to do nothing less than rethink every aspect of the way they do their jobs. He has put in place a set of management processes aimed at bridging the gap between the sales and product-development sides of the company. He has empowered a second tier of executives to run their businesses with less supervision, breaking from Microsoft’s heritage of placing every important decision in the hands of Gates and Ballmer. And in response to the frustration of corporate customers, he has ordered his engineers, sales force, and managers to improve the quality of their products and services.

To make it all stick, Ballmer has concocted a dizzying array of meetings, reviews, and examinations that force people to do their jobs differently. It includes everything from rank-andfile employees grading their supervisors to an accounting system for managers. The final touch: Ballmer is adopting the new corporate value as part of every employee's annual performance review. He says: "The code of conduct—the company's core values of honesty, integrity, and respect must shine through with customers, partners, and the tech industry." He wants his people to be respectful and accountable toward outsiders and each other.

Part C Management Gurus Say Judgment Is the DNA of Leadership

NEW YORK—Judgment is about making timely and wise decisions. However it's hard to evaluate good or bad judgment calls. Did President Harry Truman show good judgment when he dropped the atomic bomb on Japan? What about Hillary Clinton, when she voted to authorize the Iraq War? Or A.G. Lafley at Procter & Gamble, when he bet $57 billion to acquire Gillette?

Even harder is to evaluate a leader's judgment. In their new book, *Judgment: How Winning Leaders Make Great Calls* (Portfolio, November 2007), the two writers Tichy and Bennis, argue that judgment is the fundamental essence—the DNA of leadership. They say that leaders in all fields, from business to politics to war, are remembered primarily for their toughest judgment calls.

Until now, there has never been a consensus about what defines good judgment, and no one has offered a framework for making consistently good calls—especially when stakes are high and information is scarce.

"As economists forecast a recession, it is more critical than ever that leaders of Corporate America know that developing good judgment in themselves and in others can make or break their future," said Tichy. "We need more leaders who recognize that decision making is a process, not just one terrific 'aha' moment after another."

Tichy and Bennis went behind the scenes at Dell, Best Buy, Boeing, Caterpillar and other companies to explore the art of good judgment and the decision-making process. Through candid interviews and intimate observation of hundreds of leaders, the authors reveal lessons from major companies that have thrived—or suffered—because of senior management's judgment.

First in the process of judgment, Tichy and Bennis illustrate that most judgment calls arise in three key domains: people, strategy and crisis management. By developing and harnessing the skills of judgment, the authors believe it is possible to shape leadership success. In fact, this new science of judgment is gaining attention as the country's top business schools begin to teach students about this vital topic.

Second with regard to good and bad judgment calls, one example of good judgment occurred at Boeing. When Jim McNerney became its chief executive, he inherited a company that had a tarnished image, with accusations that Boeing acquired thousands of pages of proprietary documents from rival Lockheed Martin and used them to win contract work with the government, among other charges.

"Instead of fighting the allegations, underplaying their importance or blaming Boeing's former leaders, McNerney drew upon a new story line: a company that was a world-class model of competitiveness and ethical leadership," Bennis said. "He made a judgment call that turned a crisis into an opportunity to transform Boeing's internal culture and leadership behaviors."

To avoid the pitfalls of poor judgment, the book also examines cases such as that of former Hewlett-Packard (HP) CEO Carly Fiorina. "She wasn't afraid to make decisions, but she repeatedly showed poor judgment when it came to people while paying inadequate attention to the challenges of preparation and execution," said Bennis. He notes HP's board also showed poor judgment in hiring Fiorina for a job she was ill-suited for, because her background in sales didn't equip her to run a large, multidimensional business.

Finally the leadership attributes. Whether talking about the United States presidents, CEOs, Major League coaches, or wartime generals, powerful leaders make decisions every day that can make or break their organizations, their careers and the livelihood of scores of people around them. Judgment pinpoints the following attributes of leaders who make successful judgments:

- the desire to find best practices
- a competitive drive
- the ability to foster camaraderie and network
- character and courage
- focusing on the outcome of their judgment calls
- being accountable for driving execution

- creating an environment in which people tell the truth and teach others
- having the self-confidence to be wrong

Unit 8
Motivating Employees

Part A Business News

NEW YORK—Four years after the Sept. 11 terror attacks on the United States, the nation continues to heal as the world combats an ever-present global threat.

Funerals for victims are still being held, Hollywood has confronted a subject it once avoided and the government continues to refine its approach to the War on Terror.

Remembrance ceremonies this weekend are being held around the country, and plans for memorials are being developed, reworked and criticized.

FOXNews takes a look at where things stand four years after 19 terrorists hijacked four airplanes and caused the deaths of nearly 3,000 people.

Healing Continues

In the days following Sept. 11, 2001, the search-and-rescue mission shifted into a recovery effort, as volunteers worked day and night, sorting through debris while stubborn fires burned for weeks.

Hundreds of funerals were held as American flags began appearing on homes, cars, highway overpasses and buildings in a sign of unity, and just days before the fourth anniversary of those events, the funerals continue. Various support groups have been established to help survivors, families and friends through the healing process, but some take a different approach to getting over the loss of a loved one.

Patrick Dowdell, who lost his father four years ago in the World Trade Center attacks, wears a steel bracelet stamped with "Kevin Dowdell 9-11" with his West Point cadet grays. Pictures of his father in his firefighter uniform are taped to the wall in his quarters, and he still tries to live by his father's standards. Dowdell is now a senior at West Point, set to graduate in May. The son who lost his father to terror is poised to join the fight against it.

"I'm going to go into the infantry," he said, "and I want to kill terrorists." His plan for Sept. 11, 2005, was clear: to walk across the Brooklyn Bridge to Ground Zero with his mother.

Part B　Does Money Motivate?

Dean: Today we are privileged and honored to have Professor Ed Locke here with us. He is a well-known behavioral scientist. He has done extensive research on the role of money as a motivating factor. Let's welcome him. (applause)

Professor Ed Locke: Thank you. The importance of money as a motivator has been consistently downgraded by most behavioral scientists. They prefer to use challenging jobs, goals, participation in decision-making, feedback, cohesive workgroups, and other non-monetary factors as stimulants to employee motivation. I argue otherwise here—that money is the crucial incentive to work motivation. As a medium of exchange, it is the vehicle by which employees can purchase numerous need-satisfying things they desire. Further, money also performs the function of a scorecard, by which employees assess the value the organization places on their services and by which employees can compare their value to others.

Money's value as a medium of exchange is obvious. People may not work only for money, but take the money away and how many people would come to work? (laughter) My recent study of nearly 2,500 employees found that while these people disagree over what their number one motivator was, they unanimously ranked money as their number two motivator. This study reaffirms that for the vast majority of the work force, a regular paycheck is absolutely necessary in order to meet their basic physiological and safety needs.

As equity theory suggests, money has symbolic value in addition to its exchange value. We use pay as the primary outcome against which we compare our inputs to determine if we are being treated equitably. Pay is a message, from the organization to employees, of how much it values the contribution of each.

The best case for money as a motivator can be reflected in a study done by me a few years ago. I looked at four methods for motivating employee performance: 1) money, 2) goal setting, 3) participation in decision making, and 4) redesigning jobs to give workers more challenge and responsibility. I found that the average improvement from money was 30 percent; goal setting increased performance by 16 percent; participation in decision making improved performance by less than 1 percent; and job redesigning positively impacted performance by an average of 17 percent. Are you convinced? Moreover, every study I made revealed that money as a method of motivation resulted in some improvement in employee performance. Such evidence demonstrates that money may not be the only motivator, but it is difficult to argue that it doesn't motivate.

Part C Meeting the Company's Motivational Challenge

Sunday Telegraph newspaper correspondent Adrian Fuenham is discussing motivational challenge with Larry Gill, vice president of BP.

AF: Larry, everyday you are concerned with a lot of issues, but what seems to be the most troublesome issue?

LG: Well, managers, company owners, and supervisors, they are just like me, have always been frustrated and bewildered by employees with little or no motivation.

AF: Why is that? Can you be more specific?

LG: We have all seen the "quit-but-stay" employees who have severed their physiological contact with the organization. Nothing seems to fire them up. They firmly park their brains and their enthusiasm in the staff car park in the morning, re-engaging them with gusto 30 seconds after the official end of work time. However they shrewdly avoid doing anything that warrants dismissal and are content to keep their heads down, doing the minimum and volunteering nothing. This leaves the company with little option but to mark them down as candidates for the next round of redundancies.

AF: But what management techniques are available to repair and restore motivation?

LG: The answer is, I suppose, to give employees as much meaningful work as possible. The less intrinsically interesting the work, the more needs to be done to make it acceptable: job enrichment, job rotation and job sharing.

AF: Are there any other means apart from that?

LG: There are now several other commonly accepted means. The first is to give employees the information and resources needed to do a good job. Also ensure, through ongoing training, that employees have the necessary skills to meet the requirements of that job. Next, demonstrate a commitment to career development and promotion from within. Equally important is to foster a sense of team spirit. You do not have to organize outdoor assault courses. It is enough to provide opportunities for people to meet, talk and share together. Recognition has been highly emphasized. Many companies now publicly recognize and congratulate employees for good work. Celebrate success and create heroes. Two more things are: provide regular and specific feedback to all staff through both formal appraisal and informal channels of communication. Encourage feedback from staff and involve employees in decision that affects their work. Pay people what they are worth. Consider such factors as market forces, predatory competitors and the contribution each individual makes.

AF: Are these effective? It seems to me nothing is new in these techniques.

AG: They are not. The fact that we know some of the key factors in motivation, however, has not prevented many managers from ignoring them. Some people are fortunate enough to have a good boss, who may have more modeled positive motivational behaviors. But because few managers are trained or educated in the art of motivation and have themselves never been well-managed, we get the perpetuation of incompetence.

AF: This explains the paradox of why people have heard about but not seen successful motivational management in practice.

Unit 9
Recruitment and Performance Appraisal

Part A　Business News

News Item One

Ronald Reagan famously quipped that "It's true hard work never killed anybody, but I figure, why take the chance?" Beyond a certain level, extra effort seems to be self-defeating. Studies suggest that, after 50 hours a week, employee productivity falls sharply. But that doesn't stop some managers from demanding that workers stay chained to their desk for long periods.

Jack Ma, the founder of Alibaba, a Chinese e-commerce group, recently praised the "996" model, where employees work from 9 A.M. to 9 P.M., six days a week, as a "huge blessing". To be fair, Mr. Ma said employers should not mandate such hours. Still, presenteeism is the curse of the modern office worker.

But presenteeism has more serious consequences. It is perhaps most prevalent in Japan, where people attend the office even when they are in discomfort. In doing so, they are doing neither themselves nor their employers any favours. As well as reducing productivity, this can increase medical expenses for the employer. According to a study in the *Journal of Occupation and Environmental Medicine*, these costs can be six times higher for employers than the costs of absenteeism among workers. What could be more dispiriting than being in pain while feeling trapped at work?

None of this is to say that employers are not entitled to expect workers to be in the office for a decent proportion of time. Inevitably there will be a need for some (preferably short) meetings. Dealing with colleagues face-to-face creates a feeling of camaraderie, allows for a useful exchange of ideas and enables workers to have a better sense of their mutual needs.

In the grand sweep of humanity, presenteeism is a recent phenomenon. Before the industrial era, most people worked in their own farm or workshop and were paid for the amount they produced. Factories emerged because new machines were much more efficient than cottage-industry methods, and only a large employer with capital could afford them. Suddenly, workers were paid not for their output but for their time, and were required to clock in and out.

But modern machinery like smartphones and laptops is portable. It can be used as easily at home as in the office. Turning an office into a prison, with inmates allowed home for the evenings, does nothing for the creativity that is increasingly demanded of office workers as routine tasks are automated. To be productive you need presence of mind, not being present in the flesh.

News Item Two

Going to university is supposed to be a mind-broadening experience. But is it actually true? Jessika Golle of the University of Tubingen, in Germany, thought she would try to find out. Her result, however, is not quite what might be expected. As she reports in *Psychological Science* this week, she found that those who have been to university do indeed seem to leave with broader and more inquiring minds than those who have spent their immediate post-school years in vocational training for work. However, it was not the case that university broadened minds. Rather, work seemed to narrow them.

Dr. Golle came to this conclusion after she and her team of colleagues studied the early careers of 2,095 German youngsters. The team used two standardized tests to assess their volunteers. One was of personality traits (openness, neuroticism, conscientiousness, agreeableness and extroversion). The other was of attitudes (realistic, investigative, artistic, social, enterprising and conventional). They administered both tests twice—once towards the end of each volunteer's time at school, and then again six years later. Of the original group, 382 were on the intermediate track, and it was on these that the researchers focused. University beckoned for 212 of them. The remaining 170 opted for vocational training and a job.

When it came to the second round of tests, Dr. Golle found that the personalities of those who had gone to university had changed not a statistically detectable jot, but those who had chosen the vocational route showed marked drops in interest in tasks that are investigative and enterprising in nature. And that might restrict their choice of careers. Some investigative and enterprising jobs, such as scientific research, are, indeed off limits to the degreeless. But many, particularly in Germany, with its tradition of vocational training, are not. The researchers mention, for example, computer programmers, finance-sector workers, estate agents and entrepreneurs as careers requiring these attributes.

If Dr. Golle is correct, and changes in attitude brought about by the very training Germany prides itself on are narrowing people's choices, that is indeed a matter of concern.

Part B A Job Interview Need Not Be a Battle of Wills

Neal Lucas is a consultant with Forde May Consulting, which specializes in head hunting, recruitment and selection. Here is the conversation between Mr. Lucas and a job hunter.

Neal Lucas: The prospect of having to attend an interview is as much fun as a visit to the dentist for many people looking for a job. It will no longer elicit feelings of worry, fear and anxiety.

An applicant: Why is this?

Neal Lucas: Well, it is easy to become fixated on the idea that your interview will turn out to be a battle, with you and the interviewer circling one another, ever alert for any weaknesses in the opponent's armor that will allow you to press home the advantage.

If you emerge the victor, then the job is yours; if you lose, the position goes to another candidate and your pride ends up being a little dented. However, it need not be this way; an interview should be an enjoyable experience, where both parties win. Regardless of how structured the interview, you need to find yourself in a two-way conversation with the common purpose of determining both your ability to do the job well and if your needs will be satisfied.

An applicant: Then, what preparations should we do for an interview?

Neal Lucas: Before an interview, ask yourself some questions such as: What do you want from the job and why do you want to do it? What are your short-term and long-term career plans? Why do you choose this company, in this industry? In addition, you may do your research in advance using your personal network of friends and contacts, the internet and sources in the press. Then you can surely get a real feel for what the job will be like.

Then you can make a list of the skills that you have that qualify you for the job. Things like "I am good with people", "I can organize my time efficiently", "I am looking for a challenge" are not going to fool anyone unless you are able to back them up with convincing evidence.

An applicant: Is working experience important for an applicant?

Neal Lucas: Yes, absolutely. So before an interview, you'd better get your hands on the job and person description and go through each point jotting down notes beside each. You have to get that employers don't just want to hear about what roles you have held. They also want to hear about what you believe you have accomplished in that role, how you have helped the bottom line of your current or previous employer or what new practices and techniques in place are thanks to you, and how you have made your mark, etc.

Make a note of what you don't know about the company and the specific job and draw up a list of questions that you can ask during the interview.

In a word, you'd better find out everything you can about what is going to be happening on the interview day. Such as—how many interviewers will be there? What are their names? Where is the interview being held? How long will it take you to get there? Who should you ask to see when you arrive at reception?

An applicant: And on the interview day itself what may we have to do?

Neal Lucas: Make sure you arrive on time—at least 10 minutes before the appointment. In this way you can take measures to avoid appearing too hot and flustered when you arrive. You'll also have a few minutes to sit down and relax (or at least to gather your thoughts). Remember you are both being judged and looking to gather information from the moment you arrive to when you leave. And you never know what the receptionist might say about you if you are not polite and courteous.

An applicant: How can I make myself look welcoming and know whether or not I could work there?

Neal Lucas: Listen to the questions you are asked and, in turn, give clear, articulate and brief answers. Take care not to speak too much or you will see your interviewer's eyes starting to glaze over. If you are concerned that you are saying too little, check by asking "Have I fully answered your question?" If you find your hands grasping the sides of the chair, then you are too tense. Just try to relax and be yourself. Remember that one of the main aims of the conversation is for the interviewer to get an idea of what you are like as a person.

An applicant: What else can you suggest?

Neal Lucas: Always be positive. Even if you hate the person you used to work for, try to avoid putting it in those terms, or indeed using any language derogatory to your current or former employer. It is useful to have people who are prepared to say what they think but nobody likes someone who sees the worst in everything.

Also, in an interview, you'll have to meet the other person's eyes. Lack of eye contact can look shifty (though that can vary with the culture of the interviewer).

An applicant: Should I appear honest in an interview?

Neal Lucas: En..., it depends. Interviews are no time to be humble. Be careful not to under-sell yourself, but at the same time avoid exaggeration. Remember anything you say at the interview will have to be backed up with action in the job.

An applicant: What should I do after the interview?

Neal Lucas: Finally, when you leave the interview, make sure that you know what is going to happen next. If a company likes you, it is quite likely that you will end up having more than one interview; be absolutely clear at each stage that you know what the next step is. Otherwise you could find yourself wasting your time waiting for the phone to ring. And, if all goes well, you will have found exactly the right job—and the company will have found exactly the right employee.

An applicant: Thank you so much, Mr. Lucas. I've really learned a lot.

Neal Lucas: My pleasure.

Part C Effective Performance Appraisal: Tips from the MSPB

Pay-for-performance is getting a lot of attention because many federal employees are going under a performance-based system for the first time. To put it mildly, the reaction is one of fear, anger and distrust.

Based on the many comments sent in to FedSmith.com in the past week, the most common reaction is that the supervisor can't be trusted; only the favorite employees will get recognized; and that the whole program is designed solely to cut wages of employees who deserve better.

There are a few positive comments but this is the gist of the majority of those taking the time to write in.

With that in mind, the Merit Systems Protection Board has advice for supervisors on how to conduct more effective performance appraisals. This is one of several articles from the most recent MSPB newsletter "Issues of Merit." The newsletter is available from the link on the left hand side of the page.

The first piece of advice: understand the work. Many employees think their supervisor doesn't know what they do. Make sure that isn't the case with your employees. It isn't necessary to be completely knowledgeable about the employee's job (that's what the government is paying them for). But you should be very familiar with the agency's mission and goals and how each employee fits into this scheme.

Second, communicate. Make sure employees know what is expected of them. What is important to you and what will you be evaluating when you look at an employee's performance? Communicate these requirements clearly and directly.

Third, track goals and performance. To provide credible, constructive feedback, you need to understand and measure organizational and individual performance. Is the organization meeting its goals? Have goals and priorities changed? Are employees meeting, exceeding, or falling short of their objectives? Why or why not?

Finally, communicate again. Feedback should happen on a regular basis. The employee should not be shocked when it's time to issue an annual performance rating.

Pay-for-performance is coming to many federal employees and no doubt there are going to be more employees covered by the system in the coming months and years. Doing a good job in performance appraisal is an integral part of this system. It isn't as hard as some people make it out to be but it does take time and work.

Take the time to communicate effectively and you may be able to cut short some of the gripes and complaints from your employees.

Unit 10
Financial World

Part A Business News

1. The World Bank has committed to lend India $3 billion a year for the next three years to improve the infrastructure of its rural areas, home to most of the country's poor.—*Financial Times*

2. In a long-awaited but unexpected move, China yesterday announced that its currency would no longer be pegged to the US dollar. From now on the renminbi, or yuan's, exchange rate will be adjusted according to a basket of currencies, the People's Bank of China said, adding that it marked the introduction of "a more flexible mechanism for the exchange rate's formation".—*China Daily*

3. The gilt market squeezed higher for most of the week even though hopes of a second interest rate cut in the UK this year were all but abandoned.—*Financial Times*

4. Despite its faster growth, America's real bond yields are lower than Japan's and about the

same as in the euro area. Yields are arguably too low for America, but too high for Germany and Japan, causing the growth gap to persist.—*The Economist*

5. Your name is currently on an estimated 700 databases used by the direct marketing companies that plague potential customers with unwanted phone calls and junk mails. Details about you are bought and sold by companies you have never heard of, in a trade worth an estimated ￡2 billion in the UK last year. Cold calling is big business.—*The Times*

Part B What Caused the Financial Crisis?

Anchor: An article in the *New York Times*, "Pressured to Take on Risk, Fannie Hit a Tipping Point," is causing many people to wonder if Fannie and Freddie caused the financial crisis.

Chief economist: First, let me clarify the question. We are asking what caused the housing bubble, and, by definition, the cause cannot be explained by changes in an underlying market fundamental. I don't mean that we can't point to, say, a rumor that led to a rapid increase in the price of some good as speculators rush in. But just that bubbles—by definition—are divorced from market fundamentals.

I think a more interesting question is what sets the stage for a bubble to emerge—what allows the rumor, irrational exuberance, etc., to express itself as a bubble? One thing that is needed is liquidity and credit, some way of substantially increasing demand. This is the air that inflates the bubble. Even if all the other conditions for a bubble to emerge are present, if there is no way to inflate the bubble—no way for speculators to rush in and drive up the price—then it won't inflate.

Anchor: We already know that there was enough available liquidity to inflate a housing bubble. So just what went wrong in these markets that allowed the bubble to emerge and then pop?

Chief economist: I think the most important factors are agency problems, the mis-pricing of risk, and the failure of securitization to distribute risks across the whole financial system.

Anchor: Can you specify and explain about this agency problem?

Chief economist: Of course. With respect to the agency issues, there is a long chain between the homebuyer, the mortgage broker, and, ultimately, the sliced and diced complex securities that nobody fully understands. Let's take one-step in the chain, em... that of a bank or mortgage broker, either one. Suppose they are paid a fee, by the number of mortgages that pass through their hands each month. The more mortgages they can push through, the higher their income. They are required to meet certain guidelines as they do this, but so long as their income depends upon the number of mortgages passing through their hands they have every incentive to push the guidelines away and to find a way around them whenever possible. In another word, their income does not depend on what happens to the mortgages later on—but on a fee-based system.

If mortgage brokers had done their job and only made loans to people who could pay them back (i.e. with "reasonable" levels of default), we wouldn't have a financial crisis. So right away, in the first step of the chain, we have gone wrong. We have taken so many questionable loans. This problem is what economists call an agency issue. You see, the brokers had no stake in the outcome once the mortgages left their hands. The same with banks, all they had to do was to process the mortgages, package them up, then sell them and collect their fee.

Anchor: But if all the mortgage brokers or banks are selling to unqualified buyers the bubble will pop soon, that all this lucrative business chain might stop.

Chief economist: Exactly. Human nature is terribly greedy. To protect the business, should you get worried and start checking mortgages more carefully to make sure that things don't get further out of hand? No, you should accelerate what you are doing, write even more mortgages. Since nothing you do can stop the bubble from popping, you are just one of many, many brokers far down the chain. So why not collect as many fees as possible before the gravy train ends? What if everyone thinks this way, and they all rush to sell as many of these things as they can? Mania.

Anchor: What can we do to prevent this human-nature-caused accelerator?

Chief economist: A solution to this is to give each person in the chain a stake in the future outcome of the mortgage. If mortgage brokers' income had been connected to a financial instrument that pays off according to the future performance of the mortgages they write, would they have behaved differently? Probably. What about homeowners, why didn't they say no? Don't they have a stake in the future price of the home? Homeowners in non-recourse states were basically granted cheap options on their homes. The downside was they were protected and they had no reason to effectively monitor risk. If prices fell, they could just walk away and know that their other assets remained safe and that their credit reputations could be restored with time.

Anchor: I see..., but the risky mortgages don't have to be stopped at the bottom; this is a linked chain, so why weren't they stopped higher up in the chain where the stakes are higher? Isn't that where Fannie, Freddie, and moral hazard rear their ugly heads? Did they encourage and allow this risky paper to pass through the system?

Chief economist: You are right, here the mis-pricing and mal-distribution of risk played a key role along with poor management decisions in cases where alarms were raised. The agency issues above, and the consequences of the failure to predict and distribute risk—both at individual level and institutional level—are much more important than any moral hazard issues arising from the implicit government guarantee granted to Fannie and Freddie.

Part C　China Gold Rush Hides Different Strategies

The wave of foreign investment into China's banking system has aspects of a gold rush. Foreign banks are staking out territory in promising but highly uncertain terrain. Last week Royal Bank of Scotland (RBS) and its partner Merill Lynch and Li Ka-shing became the latest to put down a sackful of dollars $3.1 billion for 10 percent of Bank of China.

Shareholders generally look askance at such "strategic investment"—preferring that companies either acquire target business outright or do not invest in them at all. Those buying stakes in China plead special circumstances, with some justification. Nonetheless, there is clearly a risk that their capital will be squandered by managements better known for growing loans than for controlling bad debts.

The vigorous debate about RBS/Bank of China is a welcome sign that shareholders will not accept any China initiative unthinkingly. Managements must show how they intend to deliver returns to match the risks. There are potentially three ways: buying cheap, adding values, and creating options.

Investing banks could buy stakes for less than their underlying value. True value, though, is hard to establish, given lax accounting and a flood of recent lending that may turn bad.

More plausibly, they could add value to their Chinese partners by contributing more sophisticated risk-management, better corporate governance and new product know-how. Without control, however, the Chinese banks will change only as fast as they want to.

Investing banks may also view a few billion dollars as a price worth paying for exclusive joint venture agreements to distribute credit cards, insurance, investment products and the like as regulations permit. Perhaps. But branch staff has no idea how to sell sophisticated products. Moreover, there is potential for conflicts of interest with other shareholders. Why should profitable new operations be hived off into 50-50 joint ventures with a 5 percent shareholder?

Different foreign banks emphasized different elements. RBS/Bank of China is premised on joint ventures and distribution. HSBC/Bank of Communications envisages deeper involvement.

Not coincidentally, banks with pan-Asian presence—HSBC and Citigroup—have tended to buy into smaller banks they might one day hope to control, while those with China-focused strategies—RBS and Bank of America—have invested in big banks unlikely ever to cede control but with extensive branch distribution networks. Shareholders should differentiate between them.

Investment bankers, meanwhile, must accept that they are unlikely to win mandates to float Chinese banks unless they are prepared to buy into them. The floatation fees alone don't justify tying up so much capital. They should evaluate these opportunities as private equity investments. The rate of return they must achieve should be a private equity one too.—*Financial Times*

Unit 11
Making Investment Rationally

Part A Business News

1. The authorities in China announced yesterday that the share merger of the reform would be

extended to the whole market, sparking a smart rally on the Shanghai and Shenzhen bourses. Five State departments announced guidelines pushing the reform process ahead since the pilot projects on share mergers had proved successful and were well received by the markets.—*China Daily*

2. For those who fancy tucking a few million dollars into a select hedge fund, classified ads in newspapers will not do. But HedgeBay, a tidy secondary market for stakes in hedge funds, just might. HedgeBay is a website where serious investors take part in an online auction, finding and selling rare and coveted hedge funds that are closed to new investors. It began as a niche market in 1999, but its volume tripled in 2003 and now grows at an annualized rate of 20%.—*The Economist*

3. Singapore's central bank has imposed a $4.8 million civil penalty on the Beijing-controlled parent of China Aviation Oil for insider trading during the city state's worst financial scandal in a decade.—*Financial Times*

4. BenQ, Taiwanese diversified electronics maker, acquired Siemens' mobile phone unit in June. It has reported to sharply lower net profit in the first half of this year as competition hit sales in its key product lines.—*Financial Times*

5. Long Star, the US private equity group, is believed to have appointed Citigroup to sell its controlling stake in Korea Exchange Bank, paving the way for a divestment that could value the country's sixth-largest bank at more than $6 billion.—*The Times*

Part B The Commodities Gusher

The prices of natural resources have been soaring lately, and everyone has been feeling the impact—from consumers socked at the gas pump to big manufacturers forced to absorb sharply higher costs for steel, copper, and aluminum. But if you've been investing in natural resources, you're probably ecstatic. While the S&P 500 has barely been moving—the stocks in the index have gained a negligible 1.5% in the past 12 months—the average commodities mutual fund has gushed a 38% return. US Global Investors fund manager Frank Holmes has pumped out even better results. His Global Resources fund (PSPFX) has posted a 47% annualized return over the past three years, walloping every fund in the category. (Over the past ten years, his fund has gained an average of 13.5% a year.) Holmes remains bullish on commodity prices, though he thinks they may soften in the near term. He argues that continued growth in China and India—plus a tepid dollar—is creating a long-term opportunity for investors to keep profiting from natural resources. Below is an interview excerpt with him from Fortune magazine.

Reporter: Frank, is it too late to invest in commodities?

Frank Holmes: No. Commodity prices have softened in anticipation of a US slowdown caused by rising interest rates. Some commodities have gone through a modest correction: Zinc, steel, copper, and oil have all come off their highs. But there have been no major discoveries of copper, gold, oil, or gas, so supply is limited and I'm not worried about commodity prices falling much further.

Reporter: Frank, how long will the current boom last?

Frank Holmes: I believe the commodities boom will last until about 2010 or 2012. In the short term I expect commodity prices to be choppy, but in the second half of 2005 I expect all commodity prices to move back up. China and India will continue to drive global demand. Although we've just passed the peak in growth of Chinese demand—commodities consumption was rising at 20% per year—it's still growing at 12% and will continue to increase at double-digit rates until the end of the decade. In China you have a government that is building infrastructure, which uses commodities. And you have an emerging middle class, which wants to buy products that are made from commodities.

Reporter: How do swings in the dollar affect commodity prices?

Frank Holmes: Well, as you know, commodities are priced in US dollars, so when the dollar falls, it makes commodities cheaper for countries whose currency isn't tied to the dollar. The result, of course, is that demand increases in those places, and that makes commodities prices go up. So in the end a cheaper dollar benefits the commodities market, and that fuels the exploration and development of more commodities. I think the US dollar is going to be strong until June, when it'll decline modestly and then be flat for the following six to nine months.

Reporter: What do you look for in the stocks you invest?

Frank Holmes: First, I look for growth in a company's reserves. Oil well and coal mines all have a limited life. The companies continually have to find more reserves or deposits to replace what they've supplied. I also look for growing production—how fast the company is actually producing the commodity. And then I look for growth in cash flow. I seek companies that are building cash and are able to pay dividends. If you have those factors, you'll see a rising stock even if the commodity price is falling. And then, if a commodity price is rising, you can get 200% and 300% returns. I look for executives with financial expertise. I don't like debt, especially in mining companies, because that makes it harder to survive periods when commodity prices are low.

Reporter: Given those factors, what stocks do you recommend?

Frank Holmes: I have 3.3% of my fund in Fording Coal (FDG, $92), which is a royalty trust, meaning it pays out most of its earnings in dividends. Fording is the second-largest worldwide producer of hard-coking coal, the type you use for making steel. Steel prices have corrected a bit, but I think they will continue to go up. The price of hard-coking coal has doubled from $55 per ton to $120 per ton in the past year because of the demand for steel in Asia. Demand for coal has also been pushed up by oil prices; oil is so expensive that people want a cheaper alternative. We like the fact that it's a pure commodity play, and we love the dividends. Fording paid a big fat dividend of 4.5% in 2004, and the company has announced that the dividend will be 10% in 2005. In 2006 we see a 240% increase in cash flow.

We also like Canadian oil and gas company Penn West (PWT.TO, $70—1.8% of his portfolio) because they want to become a royalty trust, which means they'll start paying out big dividends. The stock is now $75 per share, and if they start paying monthly dividends, as we expect them to, then it's worth $90. The monthly dividends will make the stock less volatile in the event of a fall in energy prices.

Reporter: What mining companies do you like?

Frank Holmes: If you ask me, my top mining pick is Northern Orion, a copper and gold producer from Argentina that is trading on the American Stock Exchange at eight times its cash flow. It has a mine deposit that's worth about $10 per share—and the stock is just $3. Once it begins mining the deposit, the stock is likely to rise. We love that the company mines both copper and gold. You get better cash flow and less volatility when you have a mix.

I also like Goldcorp. With its recent acquisition of Wheaton River, it has become the lowest-cost gold producer in the world. It produces 1.2 million ounces of gold a year at less than $80 an ounce, when the average cost of producing gold is $300 an ounce, and gold is selling at $420 an ounce. Plus, they've got a half-billion dollars of liquid assets and are debt-free.—*Fortune*, August 2005

Part C Edward Lampert—One of the Extraordinary Investors of Our Age

If anyone is destined to inherit Buffet's perch as the leading investment wizard of his day, it just might be Edward S. Lampert. Since he started ESL in 1988 with a grubstake of $28 million, he has racked up Buffet-style returns averaging 29% a year. Only 42, Lampert has amassed a fortune estimated at nearly $2 billion. Like the 74-year-old Buffet, Lampert has built his success on a series of investment events around. He searches for companies that are seriously undervalued, and he'll even risk jumping into ones that are reeling from bad management or lousy strategies—because the potential returns are far greater. Right now, ESL has stakes in a grab bag of retailers. It holds 14.6% of Sears, whose stock soared 24% on Nov. 5. It also owns a big chunk of the No.1 auto-parts retailer, AutoZone, and the biggest national chain of car dealers, AutoNation, as well as a small stake in telecom giant MCI.

Kmart is a classic example of how Lampert works. He's got control of a $23 billion retail chain—the nation's third-largest discounter, behind Wal-Mart and Target—for less than $1 billion in bankruptcy court. He emerged as the largest shareholder and became chairman 18 months ago as part of a reorganization in which virtually all of its debt was converted into shares. Lampert's goal is to keep Kmart going so it can continue throwing off cash. So far, Lampert has been milking Kmart for cash. He has imposed a program of keeping the lid on capital spending, holding inventory down, and stopping the endless clearance sales. And he pushed for Kmart to sell 68 stores to Home Depot and Sears to raise a total of $846.9 million. That's nearly as much as the 487.9 million values placed on all of Kmart's real estate in bankruptcy proceedings. Thanks to the measures Lampert has put in place, Kmart could have as much as $4.2 billion of cash in hand by the end of next year's first quarter.

Lampert is one of the extraordinary investors of our age, if not the most extraordinary.

Unit 12
On the Business Legal Front

Part A Business News

News Item One Electronic Arts Settles Overtime Suit

Electronic Arts, the world's biggest video game company, said Wednesday that it will pay $15.6 million to settle a lawsuit filed by current and former graphic artists seeking overtime pay. The proposed settlement of the class-action lawsuit must be approved by the California Superior Court. The employees charged that EA violated labor laws requiring it to pay overtime and penalties.

Under the settlement, about 200 entry-level artists will become hourly workers eligible for overtime pay and a one-time grant of restricted EA stock. Those employees would be excluded from bonuses and stock option grants, said Jose Martin, head of human resources for EA.

The lawsuits signify a changing view among some workers at Silicon Valley companies, where employees have traditionally traded long work hours for the chance to get rich with stock option grants.

News Item Two PayPal Hit by Class-action Suit

A class-action lawsuit has been filed against PayPal, an online payment company, days after the company's successful initial public offering.

Filed Wednesday in California Superior Court in Santa Clara County, the suit charges PayPal with illegitimately restricting customers' access to their money. The suit asks for an unspecified amount of damages.

PayPal frequently locks customers' accounts if it suspects that fraud played a part in a transaction, even if the amount in doubt is a fraction of the total amount in an account, said Gail Koff, an attorney and founding partner of Jacoby & Meyers, which filed the lawsuit.

The result is that customers can't accept any more payments via PayPal, pay anyone through the service, or withdraw any of their money until PayPal clears the transaction. That can often take days or even weeks, customers charge.

Part B Companies Are Getting Unexpected Benefits from Their Sarbanes-Oxley Outlays

Nearly three years after the passage of the Public Company Accounting Reform and Investor Protection Act (better known as the Sarbanes-Oxley Act), this is much clear: companies are spending more money than they ever imagined to put the new compliance measures into place. But it's also clear that many are getting unexpected benefits from the outlays.

Although it's too early to tell conclusively, an interesting picture is beginning to merge. Rather than viewing Sarbanes-Oxley compliance as a costly nuisance, smart companies are discovering that the accompanying investment in software and other IT systems are providing tools to improve how their businesses are run. "We're finding that companies are either looking for ways to sustain compliance at lower costs or upgrade processes that ultimately lead to better controls within the organization," says Doug Barton, vice president of product marketing for Cognos, a leader in business intelligence and performance-management software.

Barton cites a study done by Boston-based research that shows that 88% of companies surveyed said they expected to maintain or increase their Sarbanes-Oxley spending this year. Nearly 40% of that increase will go for more personnel, 30% for outsourced services, and another 30% for technology. Says Barton: "We see the 30% on technology as going to systems that structure and automate the financial management and oversight processes."

Barton says as recently as a year ago it wasn't unusual for companies to set and review budgets annually. Today the software systems that have been put in place for Sarbanes-Oxley compliance are enabling these same companies to review budgets once a month. The beauty of this increased frequency, says Barton, is that managers can more quickly compare expected performance with actual performance. And if, for instance, they see that after a month sales are taking off faster in one region than in another, it allows them to shift marketing dollars or productive capacity and investment much more quickly.

"If you have a more dynamic, more continuous cycle of business review and scrutiny, you're actually going to uncover opportunities for growth as well as uncover risks," says Barton. "Your compliance will get better and your performance will improve on this foundation of business transparency."

It's this very issue of transparency that will likely drive the changes that are inevitable in corporate compliance, says Marios Damianides, president of the Information Systems Audit and Control Association. Since the advent of Sarbanes-Oxley, transparency in business systems and accounting and auditing procedures has mainly been about reassuring investors that a company's books were being handled properly. A better, more proactive definition of transparency means that companies have the ability to get a better look inward.

"The concept of transparency is moving from spotting bad deeds when they happen to being part of the very fabric of an organization," says Damianides. Cognos's Barton agrees: "Transparency operates on multiple levels. It gives a company the information that can drive greater profitability and lower costs. Transparency—and the information that comes from it—is ultimately going to allow us to drive profitability into our economy."—*Fortune*

Part C Legal Tactics for Hostile Mergers

All across Europe lawyers are preparing for battle. This year is shaping up to be the busiest for hostile takeovers since 1999 and, more than ever before, having the right legal team in place will be crucial.

A look at the deals announced in the past few weeks shows just what the advisers are up against. Sir Gerry Robinson's pursuit of Rentokil Initial looks likely to become a ￡3 billion-plus ($5.5 billion) deal, while Eon of Germany is said to be eyeing Scottish Power, and plasterboard maker BPB is fighting off a ￡3.6 billion bid from St. Gobain of France. Skandia's board is weighing up an unsolicited bid from Old Mutual and, biggest of all, Spain's Gas Natural has pledged a massive ￡15 billion for Endesa, its local rival.

The deals are cross-border and require massive legal input. “The role for the lawyers has really changed,” says Andrew Ballheimer, a partner with City of London law firm Allen & Overy.

“The environment is far more regulated, in particular in terms of securities market regulation, antitrust and pensions, and with a more proactive approach from the [UK] Takeover Panel. This has necessitated the lawyers having a greater input into the tactical approach and the strategy, where previously that was driven principally by the investment bankers,” he says.

Scott Simpson, an American lawyer, is a veteran of the hostile merger market, having learnt the trade in America during its 1980s hostile bid boom, before relocating to the London office of US firms. He advised South Africa’s Gold Fields in its $8.1 billion defense against Harmony last year, and Aventis against a ￡48 billion ($58.9 billion) hostile takeover from Sanofi-Synthelabo.

Mr. Simpson says the increasingly cross-border nature of Europe’s hostile bids is resulting in a new defense tactic—what he calls “regulatory arbitrage”. He says: “In today’s environment, it is more than likely that a bid or counter bid will be coming from outside the target’s jurisdiction, or that the target or bidder may have a secondary listing of its shares on another exchange. So the cross-border influence has become vital. And that is potentially something the target can take advantage of and the bidder must be fully prepared to deal with.” For example, if the bidder has a listing in the US, the target might pursue litigation against it in the American courts. While that may not defeat the bid, it can certainly buy valuable time.

“One of the most significant ways in which the role of an adviser in a hostile takeover has changed in Europe in recent years is that the adviser must now think beyond a single jurisdiction,” says Mr. Simpson. “It is no longer just a chess game on one level; it is on a number of levels. You have to be able to step back and look at all of them.”

The key, lawyers say, is for companies to prepare in advance. Andreas Austmann, a partner at Hengeler Mueller, the German law firm, says: “All major corporations listed on the German stock market now have defense manuals in place, setting out the framework to react to a takeover situation. Those require a lot of legal input.”

The legal team will often include a number of litigators ready to take matters to court if need be. Such contentious approaches are common in hostile bids in the US, and are expected to become more of a feature in Europe. Last year, Freshfields found itself in court after Marks and Spencer launched proceedings to bar it from acting for suitor Philip Green, claiming the firm had a conflict of interest. In the end, Mr. Green was forced to pick new legal advisers, and his bid failed.

As a result, hostile and contested takeovers are welcomed by advisers, being both complex and make-or-break for clients and potentially extremely lucrative if a long bid battle results. Mark Rawlinson, the Freshfields partner who defended Manchester United against Mr. Glazer's bid, says: "Hostile M&A is one of those things that some partners really enjoy. It's real knockabout stuff, and you just never know what's going to happen from one day to the next."

One thing is certain, though: lawyers are set for one of the busiest autumns in a long time.—*Financial Times*

Unit 13

Effective Communication—Language and Culture

Part A Business News

Keeping the French Language Alive In Quebec

Arun Rath: This is ALL THINGS CONSIDERED from NPR West. I'm Arun Rath.

If you've been to Montreal, you may have been greeted in stores with the phrase bonjour hi. That friendly greeting could soon be illegal. The Parti Quebecois, which advocates for establishing Quebec as a sovereign state, is leading the polls for next month's provincial election. Saving French, Quebec's official language, and banishing English is a passionate concern for the PQ.

If they win a majority, they intend to tighten Quebec's already established language laws.

Businesses will be fined for saying bonjour hi or advertising in English. And education in English will be restricted. Julie Sedivy is an associate professor of linguistics at the University of Calgary. She says the idea behind language laws is to preserve a culture and establish French as the language of the workplace in Quebec.

Julie Sedivy: During the 1960s and 1970s, despite the fact that French speakers were in the majority in Quebec, English was really the language of power and the language of commerce. So since then, there's been a very focused attempt to reverse that and to make French the language that is heard in the workplace and in the government as the official language.

So the reason bonjour hi is controversial is because it signals symmetry, right, a willingness to engage in either English or French as the language of commerce. And that runs counter to the goal of trying to establish French very firmly as the language that you expect and have to hear in the workplace.

Arun Rath: Why is this so important, the French language issue in Quebec?

Julie Sedivy: The pull of English globally is extremely strong and magnetic. I think of it as kind of a linguistic equivalent of the Borg, you know, from Star Trek. We are the Borg. You will assimilate resistance as futile, that whole idea. And there's evidence that immigrant populations into North America very rapidly lose the languages that they came with in the space of a couple of generations. This is even true for Spanish speakers who come from Mexico, for example.

And this is being felt all over the world. To some extent, it's also happening with other powerful languages such as Russian or Spanish. In fact, Latvia, just about 15 years ago, implemented language laws that were very consciously modeled after Quebec's language laws in response to what they perceive to be the magnetic pull of Russian and the desire to preserve Latvian as the national language.

Arun Rath: Last month, Quebec Minister of Immigration and Cultural Communities Diane De Courcy, she said that Montreal is not a bilingual city. Quebec is not a bilingual Quebec. The last time I was in Montreal, speaking English was not a problem. This is just rhetoric, yeah?

Julie Sedivy: Yeah. The reality is quite different. If you look at bilingualism rates across Canada, roughly 10 percent of Canadians outside of Quebec speak French. So that's a relatively small percentage, despite the fact that this is one of the two official languages. Within Quebec, about four times as many francophones in Quebec are French-English bilingual as people outside of Quebec.

So despite the fact that French restricts language choice to the extent that it does, that the opportunities to be educated in English are dramatically curtailed, the desire to learn English is still so great that four times as many French-speaking Quebecers will understand and speak English as the reverse being true outside of Quebec. And I think that's where some of the renewed interest in further restricting the language laws is coming from.

Arun Rath: Julie Sedivy is an associate professor of linguistics at the University of Calgary. Thank you.

Julie Sedivy: You're very welcome.

Part B Building Cross-cultural Intelligence

Host: Good evening, ladies and gentlemen. Welcome to this week's *Culture Grand Hall*. Tonight, we have Maya Townsend, MSOD, with us. Welcome Maya.

Maya: Thank you. Glad to have the opportunity to be with you all here tonight.

Host: During her career, Maya has successfully designed and facilitated training programs to over 5,000 people in groups of 3 to 130 in the public and corporate sectors. Highly intuitive, analytical, and imaginative, Maya works at all levels, from CEOs to line workers, to develop the relationships, ideas, connections, and interdependencies that shift an organization to the next level of productivity and performance.

And tonight, she will share with us something about CQ, Cross-cultural Intelligence. All right, I can feel the overwhelming anxiety for the upcoming lecture. So the floor is now yours. Welcome Maya! (Claps)

Maya: Thank you, thank you so much for your coming here tonight. Tonight, I would talk about neither IQ nor EQ, for you may know even more about that than I do (laughter). What I am going to talk about is CQ, that is Cross-cultural Intelligence.

The problem many Americans face when we work cross-culturally is that we assume that we won't have to think about culture. The work will naturally fall into line, we think. Then, we reconsider when things don't go as expected. For example, we discover that our American and Indian teams have completely different definitions of training and, as a result, we're 6 months behind schedule. Or, we develop our revenue estimates based on the assumption of a quick product adoption in Japan, only to discover that building relationships takes much longer than anticipated.

The first, and best, way to succeed cross-culturally is to turn off the cultural cruise control that tries to fool us into thinking that all cultures are the same. Instead, we need to build cultural competency.

What's Culture?

Cultural competency begins with understanding what culture actually means. At the most superficial level, culture consists of artifacts: pictures on an organization's wall, the way a team creates an agenda, and how meetings begin and end. These are the overt manifestations of culture. They encompass behaviors, structures, systems, procedures, and rules.

Underneath artifacts lies the next level of culture: norms. Norms are unwritten rules that guide behavior. When we attend a stereotypical French meeting, for example, the meeting begins with a formal introduction. Then people enjoy small talk about politics and local scandals, after which the meeting begins. For an American who is used to a quick, 5-minute opener before beginning a meeting, the 20 minutes expected by a French national can be frustrating.

Deeper within a culture is its core values: the shared ideas about what is important. To return to our previous example, we'll look at the overlap between French and American values. Both share a love for justice, science, liberty, equality, and the arts. Yet, French culture has values that can stymie an American, such as formal manners, obsession with logic, cautiousness, and savoir faire. Americans were bred on cowboy legends which encourage instinct, informality and impulsiveness. So what happens when French and American companies attempt to collaborate?

Building Cultural Competency

Savvy cross-cultural workers will take the time to build their cross-cultural competency in order to form productive working relationships. The first step is getting to know the partner culture. To build up your knowledge, please consider:

- Reading about the country. Good sources of knowledge come from the local library; bookstores such as www.interculturalpress.com; and websites such as www.adbi.org (for information about Asia and the Pacific) and www.executiveplanet.com.
- Reading about cross-cultural business. Helpful resources include *When Cultures Collide: Leading across Cultures* by Richard D. Lewis and *Cultural Intelligence: People Skills for Global Business* by David C. Thomas and Kerr Inkson.
- Watching foreign films from that culture.
- Reading novels by people from that culture or set in that culture.

Also important is to increase knowledge about American, or home culture. That will help raise awareness about what we take for granted. As Americans, we have cultural norms and values like fast-pace, risk-taking, direct conversation, acting on hunches, individualism, and egalitarianism that can get in our way when we work on global teams. For example, a Mexican team may be shocked by informal and democratic decision-making styles. A Spanish group may be offended when a meeting begins without taking the time to talk about family or when an American insists on starting the meeting at 2 P.M. sharp, even if everyone hasn't arrived. Having knowledge of our own cultural norms and values, as well as those of our partner culture, helps us identify and resolve cross-cultural conflicts.

The next step is to be mindful when working with that culture. It's important to remain aware of how cultural norms and values might be showing up in the work. Clues that a cultural conflict may be present are:

- Body language: People look uncomfortable, even if they agree verbally.

- Lack of follow up: People agree, yet don't take action.
- Absenteeism: People don't attend meetings or return calls.

Once we have some clues that a cultural conflict may be present, we can evaluate how to manage it. Our response will be situational, based on our norms, the norms of the partner culture, and the context.

The final step is to adjust behavior. Small behavior changes can go a long way towards building cross-cultural productivity and performance. For example, taking the time in Japan to carefully study a business card honors the card giver and shows respect. Many of these behavior adjustments are country-specific. However, there are some general principles to follow:

- Avoid idioms and acronyms. Americans use an incredible amount of idioms in the English language, such as "let's nail it", "low-hanging fruit", "line of sight", and "hit the bulls-eye". These idioms can be baffling for one not accustomed to American slang. In addition, many American companies seem to be addicted to acronyms: CMM, MBO, P&L, GAAP, and so on. Taking the time to choose words and define acronyms goes a long way towards building common understanding of goals and expectations.
- Check for understanding. This is a good habit to cultivate, regardless of where we work. Checking for understanding, at the end of a meeting or phone call, involves reiterating expectations, action items, and follow up steps. When building a relationship, it is important to reserve time at the end of every interaction to confirm shared understanding. As relationships mature and understandings develop, these conversations can become shorter.
- Find an ally. One of the best gifts we can give ourselves when working cross-culturally is an ally. An ally is someone who can help interpret what we see and experience. Ideally, the ally is one with cross-cultural, or even American business experience who can more easily understand some of our confusions, frustrations, and expectations. We can go to our ally for guidance when we need a cultural coach, an interpreter, or simply a sympathetic ear.

Building cultural competency takes time. During the process, we may feel alternatively confused, off-center, and unauthentic. Our partners probably feel the same way. By continuing to build knowledge, be mindful, and adjust behaviors, we can move through the awkwardness to true partnership and performance.

And that’s all for my presentation tonight. Hope it could help you from certain aspects. Thank you!

Part C Connotations of Color Words in English and Chinese

Host: In Chinese and English languages, colors may convey different messages. The difference of the connotation of the color between different cultures is determined by different national and historical background, traditions and habits, life experience and aesthetic psychology of culture. The various connotations of colors possess an important position in the intercultural communication in the modern world. So in today’s seminar, we are going to talk about the deeper connotation of different colors in China and western countries.

The Connotation of Red in Chinese and Western Cultures

Student A: Red is the favorite color for Chinese people, which stands for the joyous and happiness. In China, red is the color of good luck and is used for decoration and occasions like wedding. In Chinese Spring Festival, Chinese hang red lanterns and stick red “fu” word on windows.

Student B: The commendatory connotation of the red in China is known popularly. It means success, progress and revolution. But the derogatory meaning of it is also very important, which is worthy of getting. In the terrorist times, red is the symbol of the death and the common people have the feeling of danger towards the red color. When a prisoner is sentenced to death, his name is circled in red. And his clothes are always in red to show his low position as a prisoner and his crime. This tradition has passed a long time from the ancient time until now.

Student C: In American history, red is not a very good word. It is the association of the “fire”, “blood”, symbolizing cruelty, war, violence, revolution. Some Westerners take “red” as an evil omen or red for danger, stemming from the spirits of bullfighters. So the red rag that bullfighters use to provoke bulls is considered annoying. Furthermore, red has some extended meanings of cruelty and disaster, such as the red battle (a cruel battle in which a lot of lives have been lost); the red revolution (the radical, violent revolution); the red activities (the left-wing radical activity). It also symbolizes danger and alarm, such as the red adventurous story (a risky story), the red flag (the dangerous signal), have red hands (commit a murder), red ideas (revolutionary concepts), red ruin (fire, as a disaster), in the red (in debt), red ink (deficit), see red (be full of anger).

Student D: Red also has the commendatory connotation in Western culture besides the dangerous sign and meaning. For example, "red-blooded" means a brave person who has the big courage; "a red letter day", firstly, it is just a habit in the church to use the red letter to circle the festivals. But now, it is used in any festival which is worthy of remembering and any joyous festival; "red ribbon Bath", it is the French glory bandage which is in red; "red-cross", it is the national bandage of Britain.

The Connotation of White in Chinese and Western Cultures

Student E: In Chinese culture, white is a basic color taboo. It shows the Chinese's material and spirit disgust. In traditional Chinese perspective, white reminds people of solemn mourning, which originated from ancient times for color of superstition. White color in China is symbol of death, lifeless performance and bad omen. So when someone passes away, relatives wear the white clothes and hit the white long narrow flag to the funeral to mourn him or her.

Student F: White in China also has the commendatory meaning. It is associated with light, goodness, innocence, purity, and virginity. It is considered to be the color of perfection. White means safety, purity, and cleanliness. As opposed to black, white usually has a positive connotation. It also stands for the bright future and hope, which has almost the same meaning in English at this point.

Student G: In the opinion of Westerners, white symbolizes purity, elegance and frank. When the young get married, the bride wears the snow-white wedding dress. This tradition begins from the Victoria Ages. Even now, it remains the most popular for the brides. Before Victorian Age, at Roman time, the brides wore the white wedding dress, because the white is a symbol of celebration and it emphasizes the connotation of the sanctity and loyalty. And from 1850 to 1900, white is a symbol of wealth. At the beginning of this century, white represents the significance of purity and happiness. At this point, it is higher than any other kind of colors.

Student H: But it also has the derogatory connotation in Western culture. For example, white feather means the fright and the timid. This meaning is traced back to the cockfight game in ancient times. The Westerners think that the cock with white feathers at its tail is not brave but timid, so “white flag” is the symbol of failure or surrender and the “white trash” is used to despise the poor white people.

Ralph Waldo Emerson once said that “the gray past the white future”. For the Westerners, white is a color that is full of future and happiness. And there are many examples about the commendatory meaning of white. For example, “white knight” refers to the winner of the politician or the business; “white lie” is the lie of goodwill which is meant not to make people embarrassed; “a white day” (a lucky day);“days marked with a white stone”, it means the happy days of one’s life.

The Connotation of Black in Chinese and Western Cultures

Student I: Black denotes strength and authority; it is considered to be a very formal, elegant, and prestigious color. And the black color is the Emperor’s unique color of clothes, the common people are not allowed to wear the black clothes. And it also stands for honesty and justice in China. In the traditional Beijing Opera, the honest and good men all have the black faces to show their justice. The poets like to use the black to describe the healthy and the strong young boys or girls.

Black stands for the evil omen in China’s traditional culture. Besides, black implies gloom, disgrace, misfortune, extreme anger, etc. In modern China, the derivatives of black are always connected with disaster, adversity. It often refers to the evil gang or some offenders and criminals.

Student J: In Western culture, black is the sign of darkness. In the Bible, black stands for the devil, the evil, the pain and the misfortune. In the classic ballet SWAN LAKE, the black swan stands for hatred or enmity. In the figure of speech, the usage of black always gives people the feeling of terror, which can be seen in the following examples such as “black art” (enchantment); black and blue (full of bruises); black day (unlucky day); black dog (unhappy); a black look (an angry look; glare at somebody); “in a black mood” (in low spirits); “black sheep” (evil member of the herd); “a black villain”, (the hooligan); “black ingratitude” (a person who is ungrateful and leave one's benefactor in the lurch); "black words" is the unlucky words which can make others angry; " a black letter day" is the ominous day for a person; "black mail" usually means the kidnapper extorts money from victims; "black money" is the illegal money which does not make a statement of duty; "black-hearted" means a malicious person, etc. These expressions are all related to bad, evil, indignant characteristics in Western culture.

Black not only symbolizes the death, evil and disaster. It also has the connotation of sobriety and stateliness, black suit and the black dress are both the favorite traditional clothes for the Westerners. On serious occasions, the celebrities all like the black clothes; all the members of the symphony orchestra are all in black suit to show the respect to the audience; in the service industry, the black suit is the ones for the high-grade managers; "black-ball" is the serious ball which is different with the optional Disco.

Host: All of you have conducted a thorough research. Very good! To wrap up, color phrases in Chinese and English have a very strong rhetoric function, some are similar, and others are different. They are the indispensable and important part in the intercultural communication.

As language learners, whether simple or complex terms, we should unearth its cultural connotation from our points of view, to identify differences and similarities between two languages. Only in this way will we make fewer mistakes in the process of using them, and improve our accuracy, flexibility in the use of language.

Unit 14
Cultural Differences—Manners and Taboos

Part A Intercultural Business Miscommunication

Conversation 1

(The American manager praises one Japanese employee in front of his group.)

American: Mr. Sugimoto, I have noticed that you are doing an excellent job on the assembly line. I hope that the other workers notice how it should be done.

Japanese: *(He is uneasy.)* Praise is not necessary. I am only doing my job. *(He hopes that the other Japanese workers do not hear.)*

American: You are the best, most excellent and dedicated worker we have ever had at the Jones Corporation.

Japanese: *(He blushes and nods his head several times, and keeps working.)*

American: Well, are you going to say "Thank you", Mr. Sugimoto, or just remain silent?

Japanese: Excuse me, Mr. Jones. May I leave for five minutes?

American: Sure. *(He is annoyed and watches Sugimono exit.)* I can't believe how rude some Japanese workers are. They seem to be disturbed by praise and don't answer you... just remain silent.

Conversation 2

US: I am very pleased to meet you, Mr. Sato. *(The American extends his hand for a handshake.)*

JAPAN: (*Extends his hand and shakes hands with a weak, limp grip)* So pleased to meet you, Mr. Rogers.

US: This is my first time in Tokyo, and I look forward to our business association...Shall we begin our meeting?

JAPAN: (*Puzzled*) Excuse me. (*Reaches into card case and presents his card to Rogers*). Here is my business card...

US: (*Rogers takes out his wallet immediately and puts Sato's card in it after quickly glancing at both sides; he fumbles through his credit cards looking for a business card*)... I'm sure I have a card here...somewhere...

JAPAN: (*Acting hurt*) Do not go to any trouble to look for...

US: (*Finds one*)...Ah, here's a card...(*He hands Sato a bent card.)*

JAPAN: *(Sato graciously accepts the card and reads it very carefully, and turns it over to its flip side and it is blank...he is puzzled...)*

US: Is there something the matter? (*He sees that Sato San is uncomfortable*.)

JAPAN: Not really.

US: Shall we begin our meeting?

JAPAN: That would be very nice, but perhaps we can first speak about ourselves a little bit...such as our positions in the company.

US: Oh, sure...

JAPAN: (*Sato has kept Rogers' card in front of him all this time, holds it with his two hands *and keeps looking at it...)*

Part B Protocols of Handshaking and Gift-giving

1) Handshaking

When I was a teenager, whenever I was introduced to someone, my father would consistently growl at me to "Give them a good, firm handshake and look them straight in the eye." He would warn that "No one likes a limp hand, and if you avoid their eyes, they'll think you are shifty and untrustworthy." That fatherly advice has undoubtedly been repeated millions of times in America to countless sons and daughters. What my father failed to tell me, because he didn't know it, was that millions of other fathers in dozens of other countries were schooling their children quite differently. Without knowing these differences, misunderstanding sometimes occurs in intercultural business communication. Business people around the world should be aware that the way of handshaking in different cultures is different in intensity and duration.

As I just said that people in America are taught that a firm handshake plus direct eye contact is the standard form of greeting. They usually step forward to shake hands, then loosen their grips quickly, and back to keep a certain distance from each other. However, the Chinese often hold hands at first, then come closer to each other, sometimes with hands still unloosened, even for a very long time, especially when two old friends meet after a long departing.

The Japanese, used to bowing, may shake hands with foreign business partners but keep their arm firmly extended to keep a greater distance. In addition, they may slightly bow and thereby combine the Japanese and Western greeting ritual. However, focusing straight into the eyes of another person in Japan is an intimidating gesture—one to be avoided.

Even within Western Europe, where social customs are more like American's, there are variations on this seemingly simple act of protocol. The Germans prefer a firm handshake, which is seen as a symbol of strength and character. The German culture uses the handshake more frequently than almost any other culture. Handshakes are repeated on arrival and departure, and are traditionally accompanied by a slight bow. The French generally have a much softer handshake. They may feel uncomfortable with the grip of a German, and the German may wonder about the limp handshake of the French.

In the Middle East, young men follow the advice and example of their fathers. A limp handshake is more common than a firm handshake and the eyes more often than not are hooded, even languid. Middle Easterners may put the free hand on the forearm of the person with whom they are shaking hands. As a result, the distance to the other person diminishes. And in Latin countries, handshaking is a bit more exuberant and might even include a grasping of the wrist or elbow with the free left hand.

2) Gift-giving

(Ms. Karat is checking the gift parcels for a group of visitors from a Japanese organization partner. Lowell is helping her.)

Lowell: Ms. Karat, these parcels are not of the same size, and each has a label with a certain name on it.

Ms. Karat: You've got keen sight. That's the case that each parcel is just for a certain visitor. People from Japan get upset if they all get the same gift, regardless of their various positions at a company. Those on higher position may take it as an insult, while those on a lower position will surely feel uneasy or embarrassed.

Lowell: (laugh) So equality is not of practicality for the matter of gifts.

Ms. Karat: You may say so in certain measures. There are also some taboos in dealing with the gifts for Japanese people. For instance, you can't make the items numbered up to four as the word of four in Japanese sounds like the word of death. If a painting is to be used as a gift, you have to be careful that there should not be anything meaning or of the sign of the setting sun.

Lowell: What you said reminds me of a true story I once heard. A Grand Rapids, Michigan export manager once entertained a group of valued Japanese customers. Knowing the Japanese propensity for gift giving, the American placed a small, boxed gift near each place setting at the dinner table. He had chosen a small Swiss penknife as his gift. After the group was seated, he insisted the guests open their presents. Each guest reluctantly opened his package, and the American executive was greeted with a stony silence.

Ms. Karat: You see the manager made two mistakes in the case you just told. First Japanese usually receive gifts with both hands, but will not unwrap or open a gift in the presence of the giver. It's not appropriate to insist that the receiver open the gift then and there. The second mistake is that presenting a knife to a Japanese is symbolically suggesting suicide.

Lowell: One man's meat can be another man's poison. A well-intentioned gift might result in embarrassment or even hatred among people of different cultures. Then what gift is proper in Japan then?

Ms. Karat: Of course, for Japanese males, whiskey is always a very enjoyable gift as for most men in most part of the world, and for their delicate ladies, perfume is always a wise and sensible choice. Here we are, we have got all these checked. Lowell, you are greatly helpful. But, before you go, please get the parcels and the names of the people listed. I need it in case some of them may come again, and we won't present him the same thing.

Lowell: The repetition of gifts for one is annoying...

Ms. Karat: Except whiskey, especially for people from Japan, as that is always irresistible.

Part C Hall's High- and Low-context Orientation

An important tool for examining cultural differences is the approach described by the anthropologist Edward T. Hall. He distinguishes among cultures on the basis of the role of context in communication. Although Hall categorizes cultures as being either high-context or low-context, context really is a cultural dimension that ranges from high to low.

In high-context cultures most of the information is in the physical context or is internalized in the people who are a part of the interaction. Very little information is actually coded in the verbal message. In low-context cultures, such as German and American, however, most of the information is contained in the verbal message, and very little is embedded in the context or within the participants. In high-context cultures such as those of Japan, Korea, and China, people tend to be more aware of their surroundings and their environment and do not rely on verbal communication as their main information source. The context of the message is well understood by both the sender and receiver. For example:

A distinguished 75-year-old Chinese scholar was being honored by a university in the eastern United States. He and his wife had just made the 24-hour flight from Beijing, and they were met at the airport by some friends who exclaimed, "You must be very tired!" His response was *keyi,* meaning "It's possible" or "It's OK." Of course he was tired! He was an old man who had sat on airplanes and in airports for 24 hours straight. But the context communicated the obvious. Here the context refers to such things as the meeting in an airport at night, the fact of his long journey, his age, his slightly glazed eyes, etc.

Yet it is not hard for a Western imagination to suppose the situation in reverse. A traveler to Beijing gets off the plane after 24 hours of continuous travel. In response to the same comment, "You must be tired!" he replies, "Tired! I've never been so tired in my life! I've been sitting on planes or in waiting rooms for 24 hours and wondered if my legs would work again! My eyes are so gritty with sleep that they feel like the Gobi desert in that plane!" and so forth.

From this example, we can see members of low-context cultures, like the Western traveler, put their thoughts into words. They tend to think if their thoughts are not put in words, then the thoughts will not be understood correctly or completely. When messages are in explicit words, the other side can act upon them. But members of high context cultures, like the Chinese old man, have less tendency to trust words. They rely on context to help clarify and complete the message.

Unit 15
Organizational Culture—Competitive Advantage

Part A Business News

News Item One

1) (Reuters)—Smithfield Foods Inc SFD.N shareholders on Tuesday approved the pork giant's $4.7 billion sale to Shuanghui International Holdings Ltd (000895.SZ) in what is shaping up as the biggest acquisition of a US company by a Chinese firm.

The closely watched transaction, valued at $7.1 billion including debt, is expected to close by September 26. The deal, which aims to satisfy China's increasing appetite for pork, marries two of the world's largest pork producers and had faced scrutiny over China's high-profile food safety failures, concerns over US pork supplies and US national security.

But earlier this month, the US Committee on Foreign Investment cleared the way for the deal, removing an important hurdle. More than 96 percent of the votes cast at a special Smithfield shareholder meeting on Tuesday were in favor of the acquisition. The votes cast represented 76 percent of Smithfield's outstanding common shares, the company said in a statement.

Under the terms of the deal, Smithfield shareholders will receive $34 cash for each share of Smithfield common stock they own. Shares in Smithfield were unchanged at $33.98 in midday trading.

After the acquisition closes, Shuanghui must then decide the fate of Spanish packaged meat company Campofrio, of which Smithfield holds a 37 percent stake. Shuanghui can decide to buy the remaining stake in Campofrio which it does not own, or will have to reduce its position to less than 30 percent.

Smithfield had previously held talks to acquire a controlling interest in Campofrio in 2011 but scrapped plans, citing a weak European economy. "We will comply with the applicable Spanish decrees on this matter," said a spokesperson for Shuanghui International. "After closing our merger, we will notify the Spanish stock exchange commission of our intended actions in this regard."

News Item Two

The consolidation patterns that have been witnessed over the past several years in Asia and other markets are expected to become a key driver for making an acquisition in China in the next few years—particularly in some industrial sectors. The initial impetus for an acquisition can also be the outcome of some external factors such as general industry restructuring, financial trouble of a competitor or an approach by a third party that instigates the idea. However, without proper evaluation, these external clues can sometimes be misread and poor acquisition choices will be made.

So, what are the risks? Clearly there are a multitude of risks in an acquisition and they should not be overlooked. The two fundamental risks involved in an acquisition are financial or operational. These are outlined as follows. Financially: paying too much; taking on too much debt; synergies do not generate real cash flows; underestimate of the tax exposure or the exposure to contingent liabilities. Operationally: management conflicts—personal and time; implementation of plan; sales/distribution channel conflicts; long-term commitments—rental, staffing, etc.

Part B Cultural Models of Organization

1)

Table 1 What is corporate sustainability?

For organizations, it implied the challenge to simultaneously improve social and human welfare while reducing their ecological impact and ensuring the effective achievement of organizational objectives (Sharma, 2003). Together, these studies suggest that corporate sustainability is a multifaceted concept that requires organizational change and adaptation on different levels. The different levels of corporate sustainability suggest a parallel to the different dimensions of organizational culture (Schein, 2004): the observable culture (the visible organizational structure, processes and behaviors), espoused values (strategies, goals and philosophies), and underlying assumptions (unconscious beliefs and perceptions which form the ultimate source of values and action).

Table 2 The concept of organizational culture

The concept has been interpreted very differently and there is a lack of consensus regarding a common definition of the term. Culture theorists have suggested a variety of definitions, ranging from notions of accepted behavioral rules, norms and rituals, to shared values, ideologies and beliefs, and, at an underlying level, shared patterns of meaning or understanding. One frequently cited definition is Schein's (2004) abovementioned three-level typology of culture, as it extends through and includes various concepts and cultural dimensions. Despite the variety of interpretations and cultural dimensions, a number of common themes and similarities can be identified in organizational culture research. First, concepts used to identify and define organizational culture tend to overlap between studies; consequently, several scholars have attempted to develop frameworks to categorize important dimensions and to provide a conceptual foundation for the study of organizational culture. Second, values, ideologies and beliefs are considered to be particularly important for understanding an organization's culture and have been viewed as a reliable representation. The assessment and measurement of organizational culture has therefore typically focused on organizational values. A third and important aspect of cultural research has been the role of an organization's culture (and its underlying values and ideology of management) in hindering or fostering the implementation of managerial innovations (e.g., reengineering, total quality management) or technological innovations (e.g., flexible manufacturing technologies, enterprise resource planning systems).

2) Cultural orientations: competing values in organizations

We use the competing values framework (CVF) of organizational culture to discuss the relationship between corporate sustainability and organizational culture. The four-cell CVF illustrates the competing demands within an organization on two separate and competing dimensions. The internal-external dimension reflects whether the organization is focused on its internal dynamics, or on the demands of its external environment. The flexibility-control dimension reflects organizational preferences for structuring, coordination and control, or for flexibility.

Organizations which emphasize the control end of the dimension tend to rely on formal mechanisms of coordination and control, such as rules, policies, direct supervision, financial planning, and budgets to enforce compliance with behavioral norms. Contrary, organizations which emphasize the flexibility end tend to rely more on social coordination and control through internalization of beliefs, training, participation, commitment, socialization and peer pressure, to achieve desired outcomes and behaviors.

Resulting from these two competing dimensions, four different quadrants (or cultures types) are formed. Organizational cultures that are dominated by human relation values promote cohesion, participation and morale among employees. This is achieved by means such as training, development of human resources, open communication, employee involvement and participative decision-making. Organizational cultures that are dominated by open systems values place more emphasis on growth and resource acquisition through the promotion of adaptability, change and readiness, visionary communication, and flexible decision-making. Structurally, there is an emphasis on informal coordination and control, and horizontal communication. Individuals are motivated by the significance or ideological appeal of their tasks. Organizational cultures that are dominated by internal process values promote stability and control through formal means such as information management, precise communication, and data-based decision-making. This culture type has also been referred to as "hierarchical culture", as it involves conformity, the enforcement of rules, and attention to technical matters. Organizational cultures that are dominated by rational goal values (lower right quadrant) promote efficiency and productivity, which is realized through goal-setting, planning, instructional communication and centralized decision-making.

Part C Inter-Cultural Synergy in Mergers and Acquisitions

1) Many business commentators are now acknowledging that failure of mergers and acquisitions does not have its roots simply in financial, monetary and legal issues but in lack of intercultural synergy. Research suggests that up to 65% of failed mergers and acquisitions are due to "people issues", i.e., intercultural differences causing communication breakdowns that result in poor productivity.

A recent example of such intercultural failure has been that of Daimler Chrysler. Both sides in the partnership set out to show that intercultural hurdles would and could be overcome in their global merger. Recent articles in the *Wall Street Journal* and *Business Week* suggest however that Daimler Chrysler underestimated the influence of culture, and due to culture clash, almost two years later is still struggling to become a unified global organization.

Such discourse is highlighting the need for more intercultural training both within the framework of mergers and acquisitions and for key personnel such as managers and HR departments. In both instances culture is being ignored rather than being embraced and used positively.

(Source: http://www.kwintessential.co.uk/cultural-services/articles/intercultural-mergers.html)

2) Patterns of cultural synergy

Seven discursive topics of cultural synergy processes were found. They were identified in group discussions as the generally and commonly appearing discourses and/or stories used by participants in discussing their community feeling. The topics were:

(1) autonomy: freedom and flexibility to plan and structure work and work tasks;

(2) commitment: ambitions and engagements in work, workplace, and colleagues;

(3) management: managers, informative communication and training;

(4) office meetings: office gatherings of both professional and social relevancies;

(5) office space: geographical location, office location, and office space;
(6) social code: common shared standards and expectations for social behavior in the office; and
(7) workload: work pressure, work demands, and work procedures.

These seven topics greatly guided group discussions. However, variations among groups were identified. The topics of office meetings, office space, and commitment were dominant in the collective mindset of division office workers. Social code and workload were dominant in the collective mindset of head office workers.

Unit 16
A Socially Responsible Corporation—Business Ethics

Part A Business News

News Item One Toshiba Introduces Procurement Policy Based on Social Responsibility

Feb. 15—TOKYO—Toshiba Corp. on Tuesday announced the introduction of a group-wide procurement policy based on corporate social responsibility so as to promote legal compliance and respect for human rights and the environment among goods and service suppliers to the group.

Toshiba and its group companies will provide its suppliers in Japan and the United States with explanations of the policy and seek their understanding and support later this month. The policy will be extended to suppliers in Europe and the rest of Asia after that, the company said.

By sharing the policy, Toshiba asks suppliers to “give full consideration to human rights and labor standards, including prohibition of child and forced labor, prohibition of discrimination, and provision of a safe and clean working environment,” the company said in a press release.

Under the policy, suppliers will be required to abide by such regulations as antitrust laws, commercial codes, foreign exchange control laws, copyright laws and legislation to protect personal information.

They will also be encouraged to obtain the environment management standard ISO 14001 by the International Organization for Standardization and adopt “green procurement” policies, in which they procure parts and materials that have the smallest negative impact on the environment.

News Item Two Three Steps to Promoting an Ethical Culture

The role that corporate board members can play in fostering an ethical culture is the topic of a recent cover story in Directors and Boards, by Ed Freeman, academic director of the Business Roundtable Institute for Corporate Ethics in Charlottesville, Virginia. “Directors have a critical role to play in restoring the public trust,” writes Freeman. He proposes several actions that directors can take to help create an ethical culture.

The first is encouraging and inspiring a culture where employees are empowered to push back against the organization, so executives and directors get bad news early. This does not happen on its own, Freeman emphasizes. Leaders need to design it into their company, and they need to respond in the right way when employees risk speaking out. Directors should ask themselves: Do you know how information you need would reach you other than through the chain of command? Sometimes the chain of command is itself the problem.

Another step directors can take is to actively engage in broad boardroom conversations about ethics, which go beyond simply following the rules. Directors can also include a wider group of company management in the conversation. They should ask themselves: Do you know how your company makes each of its stakeholders better off?

A third step directors can take is to work with management to develop a clear understanding of the firm’s ethical aspirations. Every employee should know what the company stands for, Freeman says.

Part B Corporate Social Responsibility and Sustainable Development

The following is an interview with Björn Stigson, President of the World Business Council for

Sustainable Development (WBCSD). The focal point is corporate social responsibility and sustainable development.

Reporter: In your view, are companies using the corporate social responsibility and sustainable development debates (and/or voluntary commitments) to avoid more social and environmental legislation?

Björn Stigson: I believe companies are realizing that a strong sustainable development and corporate social responsibility strategy makes good business sense. Companies are an integral part of the societies and communities in which they operate, and they cannot succeed if the society around them fails.

Companies also have come to recognize that CSR goes beyond philanthropy and is a matter for strategic debate. There is no universal definition of CSR because the concept is always being redefined to serve changing needs and times. It is up to each company individually to define the values and principles it stands for, its "magnetic north" as we call it in the WBCSD. The companies that do not manage their social issues in the same way they manage other strategic business issues will not stay in business long-term.

Reporter: What is the value of having voluntary commitments if there are no enforceable penalties against those who fail to comply?

Björn Stigson: Much of the progress made by industry toward sustainable development since the Rio Earth Summit in 1992 can be attributed to voluntary initiatives, either company or sector-specific or involving other actors such as governments. Companies that engage in voluntary actions rarely fail to comply. The laggards are usually not found in this category.

Companies are naturally inclined to engage in efforts where they will be rewarded. Voluntary initiatives help build partnership and trust between government and the private sector. And unlike command-and-control policies, which can be inflexible and unduly costly, voluntary agreements encourage business, both in developing and developed countries, to unleash its creative talents and move forward.

Reporter: In 2000, you wrote in an article of the OECD Observer that the social pillar (of sustainable development) had received less attention than the environment and economic ones. What has the WBCSD been doing to ensure progress in the social pillar?

Björn Stigson: CSR is firmly on the agenda of many leading companies and it looks destined to climb higher and higher. In particular, in these turbulent times, when companies are contemplating the new meaning of "business as usual", they may need to pay higher attention to corporate governance and social values. Companies must work with national governments, NGOs and multilateral institutions to redefine the "rules of the game" and foster wealth creation in regions where purchase power is minimal.

First results of our project on Accountability & Reporting show that a commitment to enhanced accountability can lead to a major shift in how a company looks upon itself and its wider role in society. We have also started a project on Sustainable Livelihoods, which examines the role of business in poverty alleviation. A field guide on what works and what doesn't in pro-poor business, due to be released in 2004, will point to the type of innovation needed to enable companies to successfully work with poor communities.

Reporter: Does the WBCSD back the view that progress in trade liberalization within the WTO must go hand in hand with more social rights and environmental protection?

Björn Stigson: Sustainable development is about ensuring a better quality of life for everyone, now and for generations to come. The WBCSD believes that sustainable development is best achieved through the market, and that we need to make the market work for all if we want to bridge the unsustainable divides between the rich and the poor. And it can only be achieved by taking into account all three pillars of sustainable development: ecological and social, as well as economic.

Contrary to popular belief, today's global marketplace is not too open—it is still too closed. The failure of the WTO meeting in Cancun is a case in point. Trade barriers like the agricultural subsidies in the European Union and the United States are creating major obstacles for developing countries to sell their products.

Reporter: Does the WBCSD support environmental tax reform (i.e. by lowering taxes on payroll, capital formation and clean energy technology, and financing those reductions with higher taxes on activities that hurt the environment)?

Björn Stigson: The WBCSD supports the notion that the prices of goods must reflect all the costs—financial, environmental and social—involved in making them, using them, and disposing of them or recycling them. As I have often put it, "we do not protect what we do not value".

Many of nature's resources and services are currently not monetized. Establishing such prices could reduce resource waste and pollution. Proper valuation would help us maintain the diversity of species, habitats, and ecosystems, conserve natural resources and prevent the buildup of toxic resources in the environment. The WBCSD has long addressed this issue through our work on eco-efficiency, however we maintain that it is the role of governments to establish the right framework conditions, whether through environmental taxes or other incentives.

Part C Survey: Ethics Abuses on Rise

Oct. 13—Despite the renewed emphasis that recent corporate scandals have placed on the need for businesses to be squeaky clean, the number of workplace misdeeds observed by employees throughout America is on the rise, according to the survey by ERC.

More than half of the 3,000 workers who took part in the 2005 National Business Ethics Survey released Wednesday said they witnessed at least one type of ethical misconduct. Some 52 percent took note of ethical lapses in 2005, up from 46 percent in 2003, when the study was last conducted by the Ethics Resource Center, a non-profit Washington, DC-based educational organization.

"Regulation resulting from Enron and other corporate scandals spurred a renewed emphasis on corporate ethics and new laws and regulations related to compliance," said Patricia Harned, president of the ERC. "Since that time organizations, especially for-profit companies, have invested significant resources in ethics and compliance programs, but we are not seeing much change in the direct impact that these programs are having."

Indeed, while some 69 percent of employees said their organizations have ethics training, up from 55 percent in 2003, fewer are willing to speak up when they spot a colleague fudging a time card, swiping pens or lying to a customer. Although 55 percent of employees did report such misdeeds in 2005, that's down 10 percentage points from two years ago.

Organizations do not tend to emphasize strongly enough that honesty is a priority and that reporting wrongdoing won't land an employee in hot water, some responding to the survey said Wednesday.

"The whole corporate culture matters," said Maryanne Lavan, vice president of Business and Ethics Conduct for Lockheed Martin. "It makes good business sense to be viewed as an ethical company, and it benefits the workplace to have a more positive work environment."

ERC defined misconduct as any behavior that violates the law or organizational ethics standards. Employees reported witnessing an array of violations, including abusive behavior, lying, discrimination, stealing and sexual harassment.

Unit 17
Get Yourself Wired—Internet and Mobile Phones

Part A Business News

News Item One Smartphone Addiction in Korea

Smombie apocalypse—A dangerous creature is haunting crossroads.

In Korea, smartphone cases come with rings mounted on the back, to prevent clumsy owners from dropping them. This makes people look like they are literally married to their phones. In many of Seoul's most Instagrammable coffee shops, couples on dates spend vastly more time looking at their screens than at each other. The ramifications go beyond the potentially dire consequences for romance.

Walk around the streets of Seoul or any other Korean city, and there is a real risk of bumping into people whose eyes are glued to their smartphone screens. Insurers estimate that around 370 traffic accidents annually are caused by pedestrians using smartphones. That figure does not include those who bump into lamp posts and the like while perusing the latest cat videos.

The government initially tried to fight the "smombie" (a portmanteau of "smartphone" and "zombie") epidemic by distributing hundreds of stickers around cities imploring people to "be safe" and look up. This seems to have had little effect even though, in Seoul at least, it recently replaced the stickers with sturdier plastic boards.

Instead of appealing to people's good sense, the authorities have therefore resorted to trying to save them from being run over. Early last year, they began to trial floor-level traffic lights in smombie hotspots in central Seoul. Since then, the experiment has been extended around and beyond the capital. For the moment, the government is retaining old-fashioned eye-level pedestrian lights as well. But in future, the way to look at a Korean crossroads may be down.

News Item Two　Huawei and 5G

In the days of pre-Internet capitalism, the troubles of one dominant company in an industry tended to be good news for its rivals. In today's hyperconnected world a threatened ban by Western governments of Huawei, the Chinese market leader in telecoms gear, is also a worry for its competitors. Both Ericsson, a Swedish company, and Nokia, a Finnish one, would prefer the geopolitical saga to end, the better to focus on competing for contracts related to the launch of super-speedy "fifth generation" (5G) mobile-phone networks.

The American government is not letting up its campaign to persuade allies to freeze Huawei out of 5G tenders. It worries that Huawei's kit may contain "back doors"—deliberate security flaws inserted to allow Chinese spooks to eavesdrop on, or attack, phone networks. Even if America prevailed in Europe, as it has in Australia and Japan, Ericsson and Nokia are unlikely to win back much of the market they have lost in recent years. Between 2015 and 2018 Huawei's share rose from 24% to 28%; Nokia's dipped from 20% to 17% and Ericsson's from 15% to 13%.

More important, what worries Borje Ekholm, chief executive of Ericsson, is that a ban on Huawei would slow down the launch of 5G in Europe. The continent is already lagging three to four years behind America in 4G, the current generation of wireless technology, he says. Uncertainty over regulation, pricing and, most of all, how to deal with Huawei, is likely to slow Europe down further. European operators are lobbying hard to maintain the choice between three purveyors; many prefer Huawei wares, which are often cheaper (and some say better). So far, the entire controversy has been a headache for Mr. Ekholm and his counterpart at Nokia, not a gift.

Part B The Future of the Internet

Reporter: What is it that makes the Internet different?

Vint Cerf: It bears a lot of similarities to the media that have come before, but it allows us to do things we couldn't before. It is a mass medium. It is possible to publish print material on the Net. It is possible to distribute video or audio through the Net. It has a lot of the characteristics of the postal service because of e-mail. It has characteristics of the telephony service because you can have point to point communications between individuals and it could be a telephone service as well as a messaging service. But what is different about the Internet is that in addition to its individual communications capability, or its point to multi-point distribution capability, it also allows dialogue to be established among people in a group. The fact that it is two-way is also important. The other mass media have tended to be one-way with restricted access to the "transmitter". Not everyone has a radio station. Not everyone has a television station. Not everyone has a newspaper. Yet when you put things up on a Web page you are potentially communicating with anyone on the Net. Those are some of the aspects of the media that make it notably different from earlier ones.

Reporter: How do you see the Internet developing over the next ten years?

Vint Cerf: I see it increasing in its total capacity and penetration. Today we think there are maybe 200 million people using the Net, which is a pretty small number compared to the world's population. I'm not sure how quickly we will reach the billion mark in terms of users, but it could be somewhere between 2004 and 2006. I also estimate that there will be about a billion devices on the Net by 2006-2007. A lot of these devices will be appliances rather than conventional PCs and laptops. You will see many appliances like the European GSM appliances with built-in Web capability. There will also be increasing innovation in terms of applications that are being supported. It is amazing how many business ideas have been explored on the Net.

Reporter: As the Internet takes up an ever increasing place in our lives and yet does not respect geo-political boundaries, that raises the question of Internet governance. How do you perceive the running of the Internet?

Vint Cerf: Up till now, the Internet has tended to operate as a confederation. Firstly, anyone who is part of the Internet environment takes on some responsibility for operating a piece of the Internet. There are hundreds of thousands of networks, each of which is connected together, that make the Internet run. It is enlightened self-interest that has kept this all functioning. All of us who are Internet service providers recognize that connectivity to every other component is important. It is not an Internet if it is not connected.

Secondly, there is a great deal of appreciation for standards because without them, the system doesn't work. Thirdly, there is an understanding that you need some administrative functions to make sure that Internet names do not get assigned duplicatively or that domain names are unique. Apart from that, everything else is a federated activity and there doesn't need to be a central authority.

Reporter: As the Internet becomes more commonplace, interest is shifting from the Internet as a technology to its use and its impact on society. You might like to say a few words about the Internet Society's initiative in setting up the Internet Societal Task Force (ISTF).

Vint Cerf: There is an increasing appreciation for how much impact the Internet can have in social and economic terms on the world. And although we are only beginning to see that impact, by extension, on the assumption that the Network continues to penetrate very quickly, these impacts could be pretty significant. The Internet Societal Task Force (ISTF) was set up to consider several problems, one of which is how to make the Internet accessible to everyone. Although we'd like it to be so—the Internet Society's motto is "The Internet is for everyone"—achieving that goal requires a considerable amount of effort. There are places in the world where the Internet is not accessible, or it is too expensive or has very little capacity or it lacks the other necessary infrastructure. The ISTF is looking at what those various barriers are. Some are technical, some are financial, some maybe regulatory in nature. That's an area of great concern. Making the Internet accessible to everyone may require that governments change their regulatory policies to allow competition. Monopolies tend to move slowly when it comes to innovation. Having a liberal and competitive environment allows new ideas to enter the system. It also allows private capital to flow in. I am convinced that as long as the barrier of entry into the Internet business is low, there will be lots and lots of entrepreneurial experiments taking place to try out new ideas on the Network.

Reporter: Does the fact that organizations like the Internet Society have to take such an initiative imply that governments are not fulfilling their role?

Vint Cerf: It is an interesting perspective that the ISTF seems to be taking up a challenge which governments ought to take up. Not every government has come so quickly to a realization of the importance of the Internet to their citizens. Governments are starting to understand that telecommunications capability is important from the economic point of view and maybe even from the point of view of the welfare of the citizens. Access to information is terribly important. The ability to communicate with parties around the world is very important particularly if you are trying to cope with international businesses. Making this system work on a global scale requires a certain amount of government attention to make sure that national laws are not incompatible with other people's national laws. For example, we don't have agreements on the significance of a digital signature. We don't know what requirements are to be imposed for identification before certificates get issued. We don't know where the jurisdiction is with respect to taxation of Internet transactions. And although we may struggle against the idea of Internet taxes, I have the feeling that it is inescapable. If a significant fraction of the economy is run on the Internet, governments are going to insist that they have access to those transactions for the purpose of generating revenue.

Part C On-line Marriage—A New Fashion

A recent on-line survey by 21cn.com shows that, among the 900 netizens who joined the survey, 93 percent of them yearn to experience on-line love affairs; some 61.2 percent of them have made friends with netizens of the opposite sex and 35 percent of them have on-line lovers.

In March 2000 the website of the On-line Community started the service of virtual families. Since then, scores of Chinese websites have provided a service for on-line marriage. Until February 23, 2004, in the virtual community of The 9, a popular on-line game portal with 600,000 registered members, 36,342 of them had registered for on-line marriage and still more members were waiting to join.

The procedure of the on-line marriage is very simple. First of all, both sides should send a message noting their registered names to the staff of the website which provides this kind of service. After being approved, they "get married" successfully and the website will send the couple a greeting mail. The couple's registered names will be listed on the virtual community daily. Some websites even provide many classical proposal words for those who are looking forward to the on-line marriage.

Usually the wedding is held in the on-line chat room and the "priest" in the virtual community is invited to host the ceremony. The couple's friends on the Internet enter the chat room and greet them. After the "marriage", the couple can have or adopt their virtual sons or daughters.

According to the report of China Women's News, so far, more than 100,000 Chinese have registered for on-line marriage on the Internet. Its sudden popularity has had a strong influence on traditional marriage in real life.

Unit 18
Mobile Payment and Internet Financing Product

Part A Business News

News Item One Facebook: Coin Flip

The social network's grand designs for virtual cash could be surprisingly consequential—including for itself.

A global digital currency would make sending money across the world as easy as texting. It would do away with fees, delays and other barriers to the flow of cash. It might give those in less developed countries access to the financial system and a means to protect hard-earned wages against runaway inflation. It could trigger a wave of innovation in finance, much as the Internet did in online services.

That, in a nutshell, is what Facebook promised on June 18th. Within a year, the social network will launch a new currency to be known as Libra, in honor of an ancient Roman unit of mass—it is also the word for "pound" in many romance languages. Inevitably, Facebook dished out a generous helping of trendy words like crypto and blockchain. Unable to contain its appetite for Silicon Valley platitudes, Facebook claimed that its mission was to "empower billions of people". Making money or strengthening its market power are, apparently, a sideshow.

Notwithstanding the guff, the commercial potential is indeed significant—as are the potential problems. If each of Facebook's 2.4 billion users converted a slice of their savings into Libras, it could become a widely circulated currency. It could also, if broadly adopted, vest unprecedented power in the hands of its issuer. In a tacit acknowledgment that its mishandling of user data, tolerance of the spread of misinformation and other sins have devalued its stock with policymakers, users and potential partners—though not investors—Facebook wants to outsource the running of Libra to a consortium of worthies recruited from the world of finance, technology and NGOs. The consequences for the global financial system could be significant. So could the impact on Facebook's business.

News Item Two Digital Payments: The Dash from Cash

Rich countries are racing to dematerialize payments. They need to do more to prepare for the side-effects.

For the past 3,000 years, when people thought of money they thought of cash. From buying food to settling bar tabs, day-to-day dealings involved creased paper or clinking bits of metal. Over the past decade, however, digital payments have taken off—tapping your plastic on a terminal or swiping a smartphone has become normal. Now this revolution is about to turn cash into an endangered species in some rich economies. That will make the economy more efficient—but it also poses new problems that could hold the transition hostage.

Countries are eliminating cash at varying speeds. But the direction of travel is clear, and in some cases the journey is nearly complete. In Sweden the number of retail cash transactions per person has fallen by 80% in the past ten years. Cash accounts for just 6% of purchases by value in Norway. Britain is probably four or six years behind the Nordic countries. America is perhaps a decade behind. Outside the rich world, cash is still king. But even there its dominance is being eroded. In China digital payments rose from 4% of all payments in 2012 to 34% in 2017.

Cash is dying out because of two forces. One is demand—younger consumers want payment systems that plug seamlessly into their digital lives. But equally important is that suppliers such as banks and tech firms (in developed markets) and telecoms companies (in emerging ones) are developing fast, easy-to-use payment technologies from which they can pull data and pocket fees. There is a high cost to running the infrastructure behind the cash economy—ATMs, vans carrying notes, tellers who accept coins. Most financial firms are keen to abandon it, or deter old-fashioned customers with hefty fees. In the main, the prospect of a cashless economy is excellent news.

Yet set against these benefits are a bundle of worries. Electronic payment systems may be vulnerable to technical failures, power blackouts and cyber attacks—this week Capital One, an American bank, became the latest firm to be hacked. In a cashless economy，the poor, the elderly and country folk may be left behind. And eradicating cash, an anonymous payment method, for a digital system could let governments snoop on people's shopping habits and private titans exploit their personal data.

Part B E-Commerce and Cultural Values

Dr. Thanasankit earned his Ph.D. in Management Information Systems from the University of Melbourne. He is currently a Senior Lecturer in the School of Information Management and Systems at Monash University, Australia. Dr. Thanasankit has taught at many universities in Australia, New Zealand and Thailand. His research focuses on the influence of indigenous cultures and values on the use, adoption and implementation of information systems, especially in e-commerce. Dr. Thanasankit also conducts researches in requirements, engineering and creativity and IT policy.

Interviewer: What problems arise with e-commerce when implemented trans-nationally?

Dr. Thanasankit: The way that e-commerce is diffused and adopted in a particular industry or country is different from one country to another. Therefore, it is important to understand the factors that influence the use and adoption of e-commerce in the country. It is also important to understand the telecommunication infrastructure of the country. Each country has its own infrastructure, which may or may not be suitable for e-commerce. The banking industry also plays an important role in e-commerce adoption. In some countries, the banking industry plays an active role in adoption of e-commerce and encourages businesses to clear their transactions electronically. However, in some countries, the banking industry has different attitudes. Some banks do not want to be part of electronic transactions with small businesses, but rather prefer only to trade electronically with large or international firms. Therefore, this will discourage e-commerce adoption in the SME sector. The attitude of management towards e-commerce security is also an important issue. Some cultures prefer to trade face-to-face rather than using the Internet. In many countries, bricks and mortar are still important for consumers, acting as a contact point for information about the products or services.

Interviewer: How can e-commerce issues related to globalization be handled?

Dr. Thanasankit: The issues of e-commerce implementation are unique to organizations and the country they are located in. Therefore, understanding organizational culture, the distinctiveness of the people and their behavior, government regulations, and policies are important before thinking about implementing e-commerce.

Interviewer: Why is e-commerce policy important and what is the impact on adoption?

Dr. Thanasankit: E-commerce policy is important, as it will influence the level of adoption of e-commerce. In some countries the private sector prefers the government to lead the adoption of e-commerce, e.g. by adopting and promoting e-government. In other countries the private sector prefers to explore the possibilities of the use of e-commerce independently of government with the government nurturing adoption by developing regulations such as about security and fairness for e-commerce trading.

Interviewer: What influence can e-commerce have on post colonialism?

Dr. Thanasankit: This example shows that being forced to adopt a foreign way of life by the colonizer can alter a country’s system of governing and thus its policy making decisions. After the colonizer leaves the country, it is a common reaction for de-colonized governments to return to its own way of dealing with policy making, a process that is preferred by its people. Ideally, the post-colonial country can also learn from its colonizer's methods and adjust its policy making to incorporate the best methods of both.

Interviewer: What are the cultural conflicts in e-commerce development and implementation?

Dr. Thanasankit: This may happen when trading partners enforce their own values and processes on its suppliers and/or trading partners. The processes and values being forced may be viewed as foreign and cannot be accepted by its trading partners, which then may lead to e-commerce project abandonment.

Interviewer: How can minority group/culture be influencing entities and what is the impact to the use of Business-to-Consumer relationships?

Dr. Thanasankit: In some countries, minority groups have political power in making laws and legislation. Where a country declares itself as a multicultural society, it is important to cater to other minority groups, who prefer to interact using their own languages rather than using the official language as many of the elderly may not read or write the official language. Therefore, when introducing e-government and e-commerce, we need understand that by encouraging consumers to adopt the technology, developers need to understand the minority culture and languages to be able to develop alternatives for the minority groups to sell products, in the case of business, or reach them, in the case of governments.

Interviewer: What are examples of the impact of culture and language on the design of e-commerce websites?

Dr. Thanasankit: The impact of culture can be represented in the use of colors, symbols, pictures and words.

Interviewer: What is the attitude towards e-learning in Asian contexts?

Dr. Thanasankit: In many Asian countries the telecommunication infrastructure is often not good enough for delivering online information to students. The cost of hardware is also important, as many students may still not be able to afford computers and the Internet connection through available ISPs. The ways students prefer to learn also vary from country to country. In many Asian countries face-to-face contact with their lecturers is the preferred method.

Part C　Big Data: A Shot in the Arm

It is estimated that there are eight areas of big data application that could trigger big data stocks to double in 10 years. Nowadays with the popularity of mobile networks, various statistics, interactive data and sensor data in our social life, more and more big data concepts began to be applied and more and more investors are concerned with this accelerated process of information society. This year big data stocks in the A-share market have been chased by the investors in an unprecedented manner and the index has shown an upward trend. The big-data sector has become one of the leading concept stocks in the investment market.

Look at the comparison. With the Shanghai Composite Index, big data sector index (weighted float caps) has performed far better than the overall market performance. Statistics show that this year, as of last week, big data index has cumulatively risen 75.22 percent, the second highest among all the sectors over the same period, slightly lower than the index of online games, while at the same period the Shanghai index is down 5.20 percent. To be specific to each individual stock this year, out of 35 big data stocks, only Branch Jin Choi has fallen by 14.17 percent, and the remaining stocks have all risen. 34 big data concept stocks outperformed the broader market accounting for 97.14 percent of the total big data stocks. The 10 stocks with the cumulative value increase of more than 100 percent are the follows: ChinaNetCenter (341.73 percent), East Fortune (253.88 percent), Information Wave (209.38 percent), Guardian Pass (175.72 percent), Doctor Peng (149.58 percent), East China Software (130.09 percent), Haihong Holdings (116.24 percent), Dawn Star (111.95 percent), Rong Union (111.62 percent).

Why did they perform so vigorously? The answer lies in the extensive big data applications. First, in the financial sector, the birth of Yu’ebao, the launch of Wechat payment, and many other third-party mobile payment applications have pushed up the flames for the already very hot fire place in mobile financial service sector. Up till now, Yu’ebao fund pools over 100 billion Yuan with nearly 30 million active users. And big data is at the core of all these when customers are catered with convenient financial services. The piled-up accumulated historical data of app users can make service providers understand customers’ behavior and then target them accordingly. Second, in the security sector, big data is the key to regulation and operation. As Song Liping, the general manager of Shenzhen Stock Exchange, said “There are more than 200 unusual stock transactions in Shenzhen Stock Exchange. We intend to use big data technology to connect unusual stock price changes with prototype transaction system so as to construct a comprehensive data module for market supervision, especially with regard to the regulation of insider trading, market manipulation, and text mining security fraud." Third, in the wearable smart devices area, Google glass similar to smart mobile phone has become a new fad among overseas youngsters. Despite the sophistication and high cost, many concepts in the wearable smart devices area will be materialized and commercialized in the near future by companies such as Google, Apple, Chinese Xiaomi and Sony, resulting in devices such as smart watch, smart health monitor and smart walker, etc. In the future big data can also change our life in the field of smart city, smart robotics, smart cars and smart houses, etc.