

CAMBRIDGE

# Professional English in Use



## Management

Arthur Mckeown  
Ros Wright



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# Professional English in Use

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# Introduction

## Who is this book for?

*Professional English in Use Management* is designed to help intermediate and upper intermediate learners of English to improve their management vocabulary – and perhaps even their knowledge of management. It is for people preparing to start studying for an MBA programme or a master's level course in management as well as for those already working in a management role who need English for their job.

You can use this book on your own for self-study, or with a teacher in the classroom, one-to-one or in groups.

## How is this book organised?

The book has 40 two-page thematic units, in seven areas of management commonly studied on MBA courses worldwide: management in context, innovation, marketing, operations, people and human resources, finance and strategy and change.

The left-hand page of each unit presents new words and expressions in context in authentic texts, and the right-hand page allows you to check and develop your understanding of them through a series of different tasks.

There is an answer key at the back of the book. Most of the units have exercises with only one answer. However, some of the tasks, including the *Over to you* activities at the end of each unit (see opposite), are designed for writing and/or discussion about yourself and your own organisation, or one you would like to work for.

There is also an index. This lists all the words and expressions introduced in the book, and gives the unit numbers in which they appear. The index also tells you how the words and expressions are pronounced.

An appendix highlighting the difference between UK and US English terms can also be found at the end of the book.

## The left-hand page

This page introduces new vocabulary for each thematic area in an authentic context, using the type of texts you will meet in MBA study and authentic business situations. The presentation is divided into sections indicated by letters – usually A, B and C – with simple, clear titles.

As well as explanations of vocabulary, there are examples of typical word combinations and the grammar associated with particular vocabulary, for example the verbs that are typically used with certain nouns.

## The right-hand page

The tasks on the right-hand page give practice in using the new vocabulary presented on the left-hand page. Sometimes the tasks concentrate on using the words and expressions presented on the left-hand page in other business contexts. Other tasks test your understanding of the concepts on the left-hand page. Some units contain diagrams or tables to complete. As well as further explanations of the target vocabulary, there is information about typical word combinations, for example, the verbs that are typically used with certain nouns and the grammar associated with particular vocabulary items.

## Over to you sections

An important feature of *Professional English in Use Management* is the *Over to you* section at the end of each unit. The *Over to you* sections give you the chance to explore the concepts and target vocabulary presented in the unit in relation to your own professional situation or studies. For some of these you will need to find information on the Internet.

Self-study learners can do this section as a written activity.

In the classroom, the *Over to you* sections can be used as the basis for discussion with the whole class, or in small groups with a spokesperson for each group summarizing the discussion and its outcome for rest of the class. The teacher can then get learners to look again at the exercises relating to points that have caused difficulty. Learners can follow up by using the *Over to you* section as a written activity, for example as homework, where appropriate.

### How to use the book for self-study

Find the topic you are looking for by referring to the contents page or the index. Read through the texts on the left-hand page of the unit, and note the target vocabulary, which is marked in bold. Do the tasks on the right-hand page. Check your answers in the key. If you have made some mistakes, go back and look at the words in context and any explanations or definitions given in the texts or tasks again. In your notebook, note down important words and expressions and their meanings in the business context and also useful word combinations.

### How to use the book in the classroom

The themes can be explored in the order given, so that the students' understanding develops from basic management concepts to more complex ones. Alternatively, teachers can choose units that relate to learner's particular needs and interests, for example areas they have covered in course books, or that have come up in other contexts. Alternatively, lessons can contain a regular vocabulary slot, where learners look systematically at the vocabulary of particular thematic areas.

Learners can work on the units in pairs, with the teacher going round the class assisting and advising. Teachers should get learners to think about the reasons why one answer is possible, and others are not.

We very much hope you enjoy using *Professional English in Use Management*.



## 1

# Perspectives on management

## A

## What is managing?

Consider several managers and their work.

My job is simple: I have to make sure that the company finds customers in various sectors of the construction industry, meets our production targets and makes a profit.

Tom is the general manager of a brick company.

My job is to pay attention to every detail of every guest's stay with us.

Dick manages a major hotel

Each season we create an innovative programme that will appeal to a broad range of audiences. We have to set realistic prices for tickets for each concert. We have to cover our costs within an agreed annual budget.

Harriet is the Chief Executive of a national orchestra.

They all work in different environments, with different stakeholders, that is, all the people who can be affected by their company's actions, and different key performance indicators to measure success, but they share some general management responsibilities:

- Identifying customers' needs
- Setting targets and putting the necessary resources in place
- Planning and scheduling their own work and the team they manage
- Measuring performance and the outcomes achieved
- Reporting on results.

## B

## Mintzberg

Henry Mintzberg, a Canadian professor of management, has made significant contributions to our understanding of managerial work and the role of the manager. He has identified different roles in a manager's job and placed them in three categories:

- *Interpersonal* roles – a manager is the **figurehead**, providing **leadership** for the team, the department or the organization and **liaising** with other stakeholders (both internal and external)
- *Information* roles – a manager has to be an **effective communicator** as information constantly moves in, round and out of the organization
- *Decision* roles – a manager has responsibility for **spotting opportunities**, **allocating resources** and **dealing with conflict** or the day-to-day differences that can arise in any team or organization.

## C

## Management practice

*Pavel is speaking to some new recruits at a major firm of management consultants, where he is to be their mentor during the first six months:*

'Welcome to Delboi! I have three pieces of advice as you make the move from studying management to the real-world environment in which we work:

First: you need to be a **team player**. Our success here comes from **collaborating with colleagues** to create feasible solutions when we are **interacting with clients**.

Second: all the solutions that you recommend to our clients have to be practical rather than academic. You have to **integrate** what you have been learning and constantly **challenge your own assumptions**. You need to be able to **develop creative thinking skills** and **discuss complex issues** in the workplace from a 'people perspective'.

And finally: if you do not know something, or if you are uncertain about how we do things here, please ask!

'We hope you enjoy your time here and we look forward to working with you.'

1.1 Make ten word combinations from boxes 1 and 2. Look at A and B to help you.

1	allocate report on	cover set	identify spot	make	measure	meet	pay attention to
2	a profit prices	costs resources	detail results	needs targets	opportunities	performance	


1.2 Match one of Mintzberg's 10 Managerial Roles from the box with its definition below.

Disseminator	Disturbance handler	Entrepreneur	Figurehead	Leader
Liaiser	Monitor	Negotiator	Resource allocator	Spokesperson

- Performing symbolic duties as a representative of the organization. ....
- Collecting all types of information that are relevant and useful to the organization. ....
- Developing and maintaining business networks. ....
- Spotting opportunities, being innovative and championing change in products, services or business processes. ....
- Dealing with unexpected challenges and crises. ....
- Negotiating with individuals and dealing with other organizations. ....
- Communicating information from inside the organization to outsiders. ....
- Deciding on the most appropriate use of the organization's resources. ....
- Communicating information from outside the organization to relevant groups inside the organization. ....
- Establishing the organizational culture and motivating the staff. ....

1.3 Complete these testimonials from alumni students from an MBA programme using words or expressions from A, B or C.

- 1 Being able to make a p\_\_\_\_\_ is really only a tiny aspect of business. I \_\_\_\_\_ with experts from the various fields of management as well as c\_\_\_\_\_ with other students taught me to challenge my a\_\_\_\_\_s of the role of management. Amongst other things, the course gave me a practical insight into soft management skills as well as helping to d\_\_\_\_\_ my creative t\_\_\_\_\_ skills.
- 2 I now have a better idea about m\_\_\_\_\_ work in general. As a marketing manager, I was able to i\_\_\_\_\_ my previous experience with marketing. In addition, d\_\_\_\_\_ of the more c\_\_\_\_\_ i\_\_\_\_\_s of psychology during the course means that I am now much better at i\_\_\_\_\_ and meeting the n\_\_\_\_\_s of my customers. I also learnt how to become a much more effective c\_\_\_\_\_.
- 3 The part time Executive Programme gave me the chance to put the theory into practice immediately. I am responsible for s\_\_\_\_\_ and m\_\_\_\_\_ production targets for a small electronics firm. I learnt about the different management r\_\_\_\_\_. This knowledge has made it easier for me to stick to an agreed b\_\_\_\_\_ for production and to apply key performance i\_\_\_\_\_ to monitor performance more accurately.
- 4 Not only did I learn how to become a team p\_\_\_\_\_, but I was able to develop my own personal l\_\_\_\_\_ skills. And by the end I had become a much more effective c\_\_\_\_\_. I'm far from becoming a f\_\_\_\_\_, but I do have much more confidence and have applied for management jobs in several different s\_\_\_\_\_ of i\_\_\_\_\_. I hope that soon I'll be able to m\_\_\_\_\_ a junior member of staff and put it all into practice.

**Over to you**  Look at Mintzberg's ten managerial roles in 1.2. Which ones do you identify in your current job or in a job you would like to have in the future? Why?

# 2 Organization structures

## A Organizational structures

Management structures identify the different departments in an organization and set out who answers to whom in the **chain of command**.

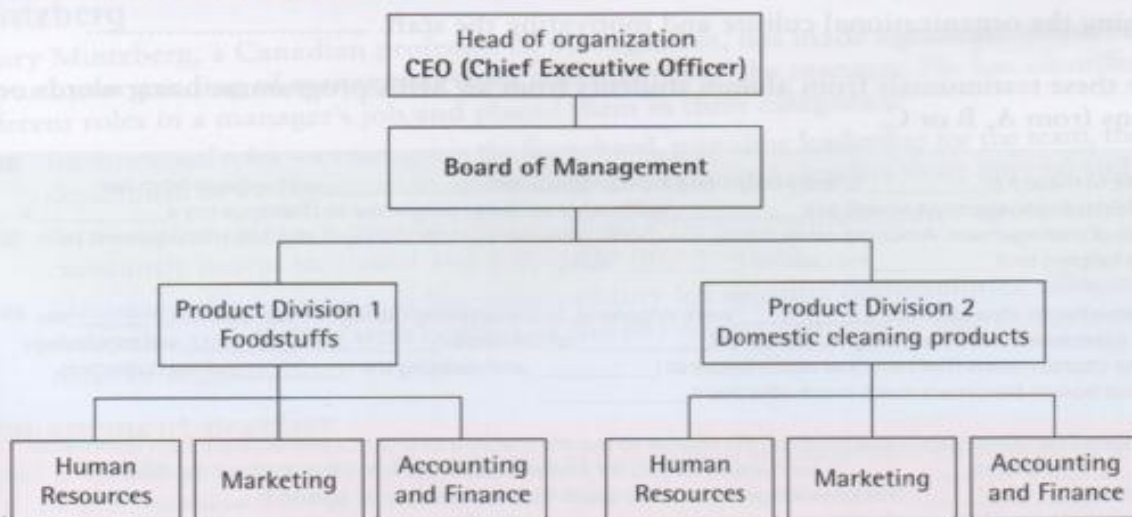
The traditional types of organizational structure are **functional** or **divisional**. In a **functional structure**, the organization is divided up into different functional areas or departments, such as Marketing, Finance and Production. **Multi-divisional** structures also exist, where the organization is divided along **geographical** or **product divisions**. This allows the company to grow and develop in new parts of the world and to add new combinations of products. A multi-divisional **matrix** may also be adopted. This is a combination of **product** and **geographical divisions** that allows a large company to adapt products for particular markets.

**Matrix structures** are especially used in large organizations that have a number of clearly defined projects. Organizations with one single owner, a **sole trader**, often have **no formal structure**.

Large organizations may have a **tall structure**, with **complex hierarchies** and many **layers of management**, but even a very large organization can have a **flat structure**, with only a few levels of management.

An **organization chart** is a diagram showing relationships between different jobs and departments. It may identify the various **functional departments**, the hierarchy, from the **CEO** and the **Board of Management** downwards, and the **lines of responsibility**, to identify reporting channels (including individual managers' **spans of control**).

## B An example of a divisional structure



2.1 Match the terms in the box below with their definitions, using information from A and B.

chain of command    lines of responsibility    spans of control    Board of Management

- 1 Handing decision making from the higher levels of an organization to lower ones. ....
- 2 The number of people a manager can effectively manage in a particular situation. ....
- 3 The specification of individual employees' responsibilities for particular aspects of work and of their management responsibilities and who they report to in the organization. ....
- 4 A committee of members elected by the shareholders to manage and oversee the company. ....

2.2 Give each sentence below a subheading from the box.


flat                      functional                      matrix  
multi-divisional      no formal structure      product

- 1 ..... – departments are separated according to the different aspects of company work, such as producing goods or dealing with the financial matters.
- 2 ..... – the company is divided into separate units specializing in a particular area of the world or has separate units dealing with particular types of products.
- 3 ..... – the company uses a mixture of divisional structures, to enable it to be more flexible and organize its work around specific projects.
- 4 ..... – very small companies run by a single person or group are like this.
- 5 ..... – in this type of structure responsibility is shared, with fewer managers and with individuals being responsible for their own tasks.
- 6 ..... – the organization is divided according to a particular product or type of product, each of which has functional teams to take care of staff, finance, etc.

2.3 Add words from the box into the correct phrase to make noun phrases.

command    control    management    responsibility

- 1 chain      of      .....
- 2 layer      of      .....
- 3 line      of      .....
- 4 span      of      .....

**Over to you** 

Draw an organization structure for an organization with which you are familiar.

### 3 Some management gurus

#### A Henri Fayol (1841–1925)

Henri Fayol began his career as a mining engineer in Comenry-Fourchamboult-Decazeville, France. He was appointed director of a group of mines in 1872 and became managing director in 1888, before retiring in 1918.

His book *General and Industrial Management* demonstrates how general **management concepts** can be applied across a vast range of organizations, regardless of sector: **manufacturing, services, public sector**, etc. There are multiple layers to a manager's role, including having to develop a workable structure, dealing with staff – **roles and responsibilities**, as well as from a **motivational** perspective – considering the **macro environment** – that is the wider economic conditions that affect an organization, and drawing up a suitable **strategic plan**. Fayol also identified the major functions of 'administrative management', such as marketing, production and finance.

#### B Frederick Winslow Taylor (1856–1915)

Frederick Winslow Taylor, an American engineer, is credited with being the inventor of '**scientific management**' in manufacturing environments.

As a manager at the Midvale Steel Works in Philadelphia he used a stopwatch and notebook to identify each step in the various **processes** on the factory floor. From these observations he was able to measure the **productivity rates** of workers at every stage in the different tasks he saw performed. He was then able to make recommendations that led to **greater efficiency** in the **production process**.

Taylor's *The Principles of Scientific Management*, published in 1911, was the first bestseller in the history of modern management. His work had a huge impact on how factories were managed in the early decades of the twentieth century, especially in America and Europe. Henry Ford, for example, followed the principles of Taylorism, scientific management and **mass production** when he set up the Ford Motor Company in 1903. He introduced the Model T Ford in 1909 and soon **captured** a huge **share of the American car market**: in 1918, fifty per cent of all the cars on American roads were Model T Fords. In the Soviet Union, Lenin urged workers to use **production targets** that followed the **principles of Taylorism**; failure to do so could lead to severe penalties and punishment.



#### C Peter Drucker (1909–2005)

Peter Drucker is regarded by many of his peers as the most significant **management guru** of modern management practice.

Drucker was born in Austria in 1909. He moved to America, via England, in 1937 and worked at General Motors as a **management consultant** during the Second World War. His academic career began after the war.

The focus of his work, and a major reason for his appeal to practising managers, is on the practical application of **management theories** to the real-world working environments in which managers do their jobs and seek to achieve results. That said, ideas such as **management by objectives, decentralization** and **knowledge working** can all be traced back to Drucker's work, many years before they entered mainstream management thinking.

His **seminal work** 'What Makes an Effective Executive?' in 2004 was awarded the McKinsey Prize for the best *Harvard Business Review* article of the year.

3.1 Find seven word combinations using **management** from A, B and C. Then match five of them to the correct definition below.

- 1 A person with knowledge or expertise who becomes an intellectual guide for others in a particular aspect of the field.
- 2 Someone who advises people on management issues for a fee.
- 3 The rationalization and standardization of work through division of labour, time and motion studies, work measurement, and piece-rate wages, as defined by US engineer, Frederick Winslow Taylor.
- 4 An idea or principle connected with something abstract concerning management.
- 5 Related to businesses' managerial roles and administrative functions, as defined by French engineer, Henri Fayol.


3.2 Complete the PowerPoint slide using information from A.

**Managers must/need to...**

- 1 examine the organization's ..... environment and draw up ..... plans for the organization's response to what is likely to lie ahead.
- 2 build up the ..... plan of the organization and put in place procedures which can help with the preparation and implementation of plans.
- 3 ..... and set an example for their staff, as well as clarify the ..... and ..... of the organization's teams and individuals.
- 4 ensure that the work done by the various teams and departments is consistent with the overall plan for the organization.
- 5 ensure that what happens is what should happen, in accordance with the organizational plan.

3.3 Complete the statements and then decide to which management guru, Fayol, Taylor or Drucker, each one is attributed. Use words and expressions from A, B and C.

- 1 Production ..... at the turn of the twentieth century across Europe and the USA benefited greatly from the ..... of the ..... theory of management, based on research into ..... production which dealt with optimum ..... rates and resulted overall in greater ..... Production ..... were set for individuals according to the time available and the share of the workload. Applying these principles enabled Ford to ..... the major share of the automobile market at the beginning of the twentieth century. The man who developed these theories was .....
- 2 ..... are those who develop and use knowledge in the workplace. Along with the ..... of the role of management, these are just two of the concepts that can be attributed to one person in particular, .....
- 3 The manufacturing and ..... industries as well as the ..... sector have gained from a greater understanding of the roles of management, and the separate functions involved in management, as highlighted in the ..... work of .....

**Over to you** 

Explore the profiles of the major management gurus, especially those mentioned in other units in this book, available at [www.thinkers50.com](http://www.thinkers50.com)

# 4 Management in different sectors

## A Private

*Hong works for a large hotel chain in Guangzhou, China. She is in charge of a customer service team:*

'The company is under **private ownership**. Our founder was an **entrepreneur** who spotted an opportunity to provide high-quality conference facilities for the growing number of trade shows and industrial exhibitions attracted to the region. Part of the **equity** is still in the hands of the family; a minority of the shares is held by a number of **institutional investors**.

'We also have **strategic partnerships** with local, national and international airlines and tour operators.

'In all that we do our mission is strictly commercial; we have to **generate a profit** for the family and for the **institutional shareholders**.

'The customer service team works closely with managers and staff in every part of the customer experience, so that every guest receives an excellent level of service at each stage of their stay with us. The company operates within a very **competitive business**. If we don't keep our customers satisfied we won't survive.'

## B Public

*Jo is a public sector employee working for the City Council in Madison, Wisconsin. She is a food safety officer, with responsibility for a team of ten food safety inspectors:*

'Our **mission** is simple: we exist to serve the public by ensuring that health is not put at risk by unsafe food. This mission is then developed into a series of **strategic** and **operational plans** that are discussed and approved each year by the council's senior management team.

'Members of the team make regular visits to restaurants and other places where food is prepared and sold to the public. We also visit food-processing factories to monitor standards like cleanliness, general hygiene and cold storage.

'We are not **profit seeking**, rather, we have to make sure we can provide services within the budget agreed and endorsed for each year.

'My own job involves:

- **planning** and **scheduling** the work done by the members of the team
- ensuring that adequate **resources** are in place to support their work
- monitoring the regular inspections (including any recommendations for **preventative** and **corrective action** required) so that I can provide regular reports to my own line manager.'

## C Not for Profit

*David manages the furniture workshop in a social enterprise in Dublin, Ireland:*

'A social enterprise is a business with primarily **social objectives**, so we do not focus on making a profit from our activities. Any **financial surplus** we can generate is re-invested in the business or in the community. We do not have to maximize profits for owners or **shareholders**.

'There are many different kinds of social enterprise but they are all **accountable to** their **stakeholders** such as employees, clients, local community groups or other users.

'Our mission is to make life better in this community by creating income and employment

for local people. We do this by taking in **donations** of furniture, repair it if necessary and clean it for resale to our customers.

Like other **non-profit organizations**, we have a **triple bottom line**:

- we minimize any negative effects on the environment
- we have to be aware of the needs of our staff, both **waged** and **volunteers**
- we have to make enough profit or surplus to provide a **sustainable business**.

It is never easy to balance all three of these but it is very **satisfying work**.'

**4.1** Change the nouns in the box into adjectives.

competition/competitor	correction	entrepreneur	finance	institution
privacy	public	society	strategy	sustainability


**4.2** Using expressions from the texts on the left, match the questions (1–6) and answers (a–f) following an MBA lecturer’s session.

- 1 I was just wondering, Dr Khomer, if you could clarify the meaning of public sector?
  - 2 Dr Khomer, You mentioned something about social objectives, but I didn't quite catch what you said ...
  - 3 Excuse me, could you elaborate a little on what you meant by the term sustainable business?
  - 4 Yes, Dr Khomer, I just wondered what you had to say about institutional investors.
  - 5 Sorry, I didn't quite understand your point about financial surplus. Could you show us the slide again please?
  - 6 Yes, I'd like to know what you mean by triple bottom line exactly.
- a They include the production and supply of quality goods and services, adoption of fair-trade practices and contribution to the general welfare of society.
  - b These consist of entities, such as pension funds, insurance companies and investment banks, with large amounts to invest.
  - c Yes, it refers to the generation of resources, such as capital that exceeds expenditure.
  - d Sure. It's an accounting term that means the most important factors for measuring an organization's success in social and environmental as well as economic terms – we say people, planet, profit.
  - e The army is an example of an organization that provides a public service funded by the government.
  - f This refers to the need for an organization to make enough profit or surplus for it to survive.

**4.3** Complete these observations from employees of three enterprises. Choose words from the box.

accountable	competitors	donate	equity	mission	non-profit
organization	planning	profit	resources	satisfying	shareholders
social	volunteer	waged			

- 1 We don't hold e..... and so our m..... as a s..... enterprise is to generate financial r..... to facilitate the operation of our association.
- 2 P..... a schedule for the v..... who run our n..... is not a simple task; while we don't have a problem finding people willing to d..... their time free of charge, they are not necessarily available when we need them. Luckily, we also have a group of w..... staff working specific shifts to ensure a permanent presence. They all agree it's highly s..... work.
- 3 Being a..... to our s..... is a necessary evil for any private enterprise. It is vital that we provide them with an annual report, outlining the amount of p..... generated over each 12-month period, as well as our positioning compared to that of the current c..... in the market.

**Over to you** 

Find out more about Muhammad Yunus and the Grameen Bank. Compare and contrast his ideas with the principles on which private and public sector organizations are run.



# 5 Resources managers use

## A Data and information

*Roberto manages the loyalty card scheme for a large supermarket chain that rewards shoppers when they make purchases:*

'We use computers running **proprietary software** to find patterns and trends in customers' purchasing habits. Reductions in storage costs and techniques for **data mining** let us **collect and analyse data** for every single purchase. This has brought significant changes in the way we can manage our stores throughout the country and elsewhere in our overseas branches. Most of our customers have loyalty cards. Every single **transaction** they make can be recorded and analysed using a **sophisticated database software package**. We are able to access huge amounts of data and by using elaborate **statistical techniques** we can analyse the raw data to identify significant factors and make predictions on a region-by-region and store-by-store basis.

This helps us make better informed decisions about:

- the amount of **shelf space** we allocate to different products in different stores
- stock, inventory control and reordering
- logistics for getting deliveries on time to each store.'

## B Time

*Paul, the senior partner in a major firm of management consultants, is talking about how he and his colleagues charge their time to the client:*

'Like other providers of professional services, we use **time management software** to record time spent on the various projects we are involved in. This can include project preparation, face-to-face meetings with the client and any **work off-site**. We also charge for travel and accommodation, plus any other **incidental expenditure**.

All of this is set out in advance in our standard **terms of reference** for each individual project. This is **signed off** by both the client and us before work begins, so there are no nasty surprises when the bills start to arrive on the client's desk.

Of course, staff at different **grades** are charged out at different **daily rates**; the daily rate for a **junior consultant** is significantly lower than the rate for a senior partner. The **project manager** can easily compile regular **statements of account** and **invoices** by using data from the system.'

## C Money

*Tim is the Director of Innovation in a university. He is talking to an MBA class about sources of finance for a start-up business:*

'Money makes the business world go round; a manager, regardless of their role and the sector in which they work, has to understand some basic principles of finance. Starting a new business is exciting!

Let's think for a few minutes about where entrepreneurs can find **funding** for their new enterprise:

- savings are a possibility
- grants, for example from the Government
- loans from family and friends; banks, who will want some form of **collateral** to protect their money
- firms of **venture capitalists** who are prepared to take a lot of risk in return for making a substantial profit
- individual **business angels**, bearing in mind they are interested in the equity and may even want to get directly involved in the business.'

- 5.1 Find seven noun phrases and three verb phrases using the words **data** and **software** from A and B.
- 5.2 Find words or word combinations in A with the following meanings.
- 1 Copyrighted computer programs developed and sold by a commercial IT company
  - 2 The exchange of goods or services between buyer and seller for money
  - 3 The management of business operations, such as the acquisition, storage, transportation and delivery of goods along the supply chains
  - 4 Keeping track of goods or products available for purchase at a shop or warehouse at a particular moment in time usually via a software package
  - 5 Goods or products held in a shop or warehouse
  - 6 The area available in a shop to display stock for purchase
- 5.3 Suszanna responds to questions from Markus confirming the terms of reference for a new contract. Complete the dialogue, using B to help you. Then decide who is the project manager and who is the junior consultant.

**Markus:** Sorry to disturb you, I'm trying to make sense of these terms. Could you just confirm a few things for me before I ..... this contract? I know the daily ..... depends on my ..... but I'm not sure of the rest.

**Suszanna:** Well, basically, the ..... of ..... are set out by our company, as the consultancy firm, and you can use our ..... management ..... to keep track of the hours you do.

**Markus:** OK, I understand. What if I'm working .....; what am I entitled to?

**Suszanna:** The usual, accommodation and travel but also any incidental ....., such as internet fees and photocopying. So make sure you keep all your receipts.

**Markus:** I'm sure I'll lose some of them from time to time. Do I need to send ..... to the clients?

**Suszanna:** No. Send them to me and I'll download a ..... of ..... and the invoices and send them to the client for payment.

- 5.4 Complete the explanations using the correct terms and expressions from C.
- 1 Family and friends can always be of help by providing ..... for a ..... business. Stelios Haji-Ionanou, for example, had access to \$20 million in funding, thanks to his family's shipping business. This is how he was able to fund the loan to set up EasyJet, a major European low-cost airline.
  - 2 ..... may be available in some areas to encourage innovation and to attract inward investment. Local enterprise agencies will be able to help you to identify these potential ..... of finance and to discuss the criteria for eligibility.
  - 3 Unlike grants, ..... have to be paid back. It is worth trying different banks and finance houses to find out what is available. Lenders will normally require some form of ..... such as property, as a guarantee that the borrower will pay back the loan.
  - 4 If you're lucky, you may be able to identify .....: people who will help to fund the business, usually in return for a share of the business or its profits.'
  - 5 Then there's ..... capital – this is another source of private equity. Providers are seeking to invest other people's money and expect their investment to have paid off within seven years.
  - 6 Finally, if none of these options is available, entrepreneurs may even consider using their own private ..... to fund a small business venture.

Over to you



Webquest: use your online searching skills to find out more about career opportunities in management consultancy. Write a mini-report about a job that interests you.

# 6

## Innovation and creativity

### A

#### Sources of innovation

Organizations of every sort need to **innovate** if they are to survive and thrive. This may involve developing new products or services, improving existing products or services, or making changes to existing working practices or procedures.

Managers need to challenge the **status quo** in regular reviews of **trends** and changes in the macro-environment, and to seek better alternatives to their organization's products, services and operational processes. This may often require **taking risks** and clearly specifying the **benefits** expected from the innovation.

Innovation is different from **invention**: inventions are often the result of an individual's **ingenuity** in creating a new product idea, whereas innovation generally involves a team working together to develop business solutions and significant **competitive advantage** for their organization.

Innovation is also different from **creativity**: creativity involves thinking of novel and appropriate ideas, whereas innovation is the process by which ideas are turned into practice or product.

Innovation consists of distinct stages:

- **Idea generation** – the development of a **design concept** or **technical proposal** by integrating market needs with technical information
- **Problem solving** – R&D (**research and development**) and engineering to develop a technical solution to the proposal
- **Implementation and diffusion** – market introduction, and the communication and use by which the innovation comes to have a wider social and economic impact.

Innovation and new ideas can come from within a manager's team, from elsewhere in the organization, or from customers, suppliers and other stakeholders. Consumers play two roles:

- as a resource to supply customer-need information and to evaluate ideas for new products
- as a **co-creator** where customers collaborate and participate actively in the development and testing of the **viability** of an **initial concept**.

**Lead users** are customers who are well ahead of **market trends**, and who have a **propensity** to innovate solutions to their own problems. Marketers often look to lead users for useful insights for innovations and possibly even **commercialize** their innovations for other customers.

### B

#### Trevor Baylis: a case study on the value of market research in the innovation process 1

Trevor Baylis, the British inventor of the clockwork radio, had his '**a-ha**' moment when he saw an opportunity to develop a radio that uses a simple clockwork mechanism rather than batteries. He created a **prototype** that was **market tested** in rural South Africa with **potential customers**. Further **product development** was carried out in Britain to increase its robustness and functionality before the product was **launched** onto market. Now, twenty years after the development of the initial concept, the product is well established. Lead users were large aid agencies, who purchased the radios in bulk to be used in areas hit by natural disasters, where the electricity and communications infrastructure has collapsed.



**6.1** Steve talks about entrepreneurs he has known. Complete his thoughts using expressions from A. You may need to change the form of some words.

7.2 'The most important characteristic was the enthusiasm they brought to business.

- 1 They are good at spotting ..... in the macro-environment and don't just accept the .....
- 2 Almost everyone takes ..... and is prepared to gamble with their time, commitment and money.
- 3 They are flexible and willing to experiment with their ..... to make it work.
- 4 They utilize their sense of ..... to the benefit of the company and have a ..... to know exactly when to .....
- 5 All of them recognize the need to ..... their innovative product or service and ultimately achieve competitive .....

**6.2** Match the words and expressions (1–9) to the correct definition (a–i). Use A and B to help you.

1 'a-ha' moment	a to introduce a new product to the market
2 to launch	b a product sample used to get feedback from likely customers
3 viability	c a new product or service designed from someone's idea
4 to test a market	d the ability to succeed over the long term
5 prototype	e the time when an entrepreneur gets a new idea
6 ingenuity	f those likely to be interested in a product or service
7 invention	g the skill of inventing new things
8 potential customers	h document that identifies the technical requirements of a project or product and explains a plan to meet them
9 technical proposal	i to explore the reaction of the buyer to a new product or service

**6.3** Use the words in the box to complete the banner for this homepage.

co-creator	competitive	concept	consumer	development	innovation (x2)
product	research	trends			



Essential to the success of any industry is ..... pushes the boundaries in ..... development enabling companies to gain that all-important ..... advantage. The 2011 Innovation Awards for Industrial Design recognize individuals with proven expertise in ..... and ..... who have come up with a design ..... that responds to current market ..... in the field of industrial design. The difference with this year's winner – he or she will have worked directly with the ..... as ..... to come up with the winning concept.

Over to you



What do you think is more important for an organization, to be able to develop creative ideas or to be innovative and turn creative ideas into practice?

## 7

## Screening ideas

A

## Criteria for screening ideas

*Dr Brown is talking about the importance of using clear criteria in making decisions for selecting and screening new ideas:*

It is important to have a structured approach and transparent **consultation process** for selecting the best ideas for further research and development. Companies typically establish **screening criteria** to provide an **objective procedure** for **evaluating the potential** of ideas for new products. This reduces **subjectivity** and provides a unity of purpose and a context for our new product planners.

Screening criteria usually involve three factors:

- 1 **Market criteria** – market size and the product's attractiveness to a range of customers; market share and the percentage of the market we can get; likely trends in market growth; market positioning and **differentiation** – how it is different from competitors' products; ease of **distribution**
- 2 **Product criteria** – newness: will it have some novelty? Technical feasibility: can we actually make it? Compatibility: does it fit in with other products in our **product portfolio** – that is, the full range of products we sell?
- 3 **Financial criteria** – sales value and profitability; return on investment; cash flow.

We use a simple **checklist** in a **decision-making grid** to ensure we do not omit or overlook **key criteria**. Usually, three ideas are discussed in departmental meetings in which we **brainstorm** and develop them and make decisions about any further development work that might be required.

This is the table we use in my team to screen new ideas:

Criteria		Idea 1	Idea 2	Idea 3
Must-have criteria	Does it fill a perceived need?			
	Does it have <b>unique product characteristics</b> that offer distinctive benefits to the user?			
	Will it make sufficient contribution to profit?			
	Is it saleable in large, expanding territories?			
Would-like criteria	Does it fit in with our product portfolio?			
	Is it suitable for <b>mass media advertising and promotion</b> ?			

B

## Trevor Baylis: a case study on the value of market research in the innovation process 2

*Christopher Staines, a colleague of Trevor Baylis, talks about the development of the clockwork radio technology:*

'When I met Trevor we had a lot of work to do to protect the intellectual property in his idea and we had to ensure that the basic idea was technically feasible for mass production.

We also had to consider significant **commercial realities**:

- Is there a real need for the product?
- Can we make it?
- Will people buy it, at a price where we can make money?

Now, twenty years after its development, the **original concept** has been **modified** and extended for use in clockwork radios and chargers for mobile telephones.'

7.1 Find seven noun phrases from A using the word criteria.

7.2 Join the two halves of the sentences to create definitions of the words in the box.

brainstorming    checklist    objective    subjective

1 Based on personal beliefs, or opinions	a to think aloud and suggest as many ideas as possible.
2 A set of important or relevant actions	b rather than personal opinions.
3 A session where participants are encouraged	c instead of on verifiable evidence.
4 Based on evidence and reason	d or steps to be taken or criteria to be met.

7.3 Complete the interview with Tony Hsieh using expressions from A and B.

Soon after Tony Hsieh (pronounced Shay) joined Zappos at the age of 24, the company grew from almost no sales to over \$1 billion annually. We asked him about the success of the company.

'We've been asked by a lot of people just how we grew so quickly, and the answer is actually really simple. A ..... process and ..... of the ..... market led to our original concept, which was to provide the best customer service possible. For example, we have a unique ..... policy that provides the benefit of free shipping both ways. Our customers will often buy ten pairs of shoes, select one pair they really like in the comfort of their own home and then return the other nine pairs to us.

We don't spend a lot of money on traditional means of ..... through ..... media. Instead, we try to ..... just our service and enhance the customer experience so that we get a lot of repeat customers, many of whom switch brands from our competitors. Much to our surprise, the ..... concept worked so well there was never any need to ..... it. We produce shoes, there is nothing unique in the product ....., neither is our ..... particularly extensive. However, what we did realise was that there were certain obvious commercial .....: everyone needs shoes, our prices are reasonable but still make a profit and, of course, we can do better than the competition!

*(Faint, illegible text from the reverse side of the page is visible through the paper.)*

Over to you



Visit [www.wackyinventions.com](http://www.wackyinventions.com) and select three inventions. Then devise your own decision-making grid to evaluate each invention. Use examples from your observation and experience to discuss how managers like Tony Hsieh can innovate by challenging the status quo.

# 8 Feasibility studies

## A The new product development process

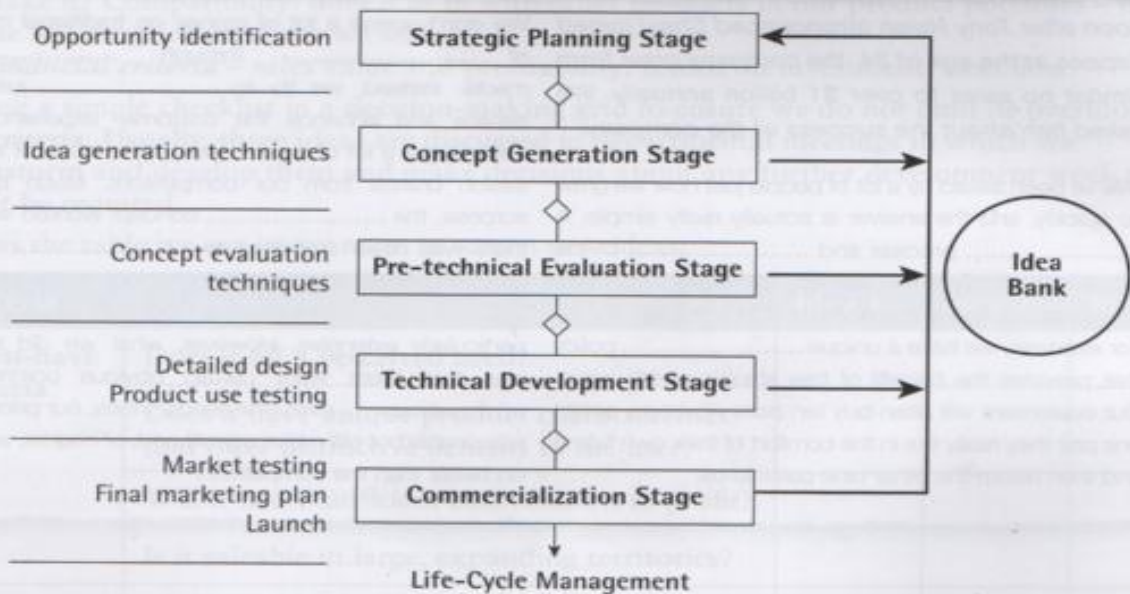
The **new product development process** uses a series of stages and gates. A **Stage-Gate Process** is a way of moving a **new-product project** from idea to launch. This is a carefully designed business process, based on comprehensive research into understanding product success and failure.

Stage-Gate divides the effort into distinct stages separated by management **decision gates**. At each stage **product champions** and developers must complete a prescribed set of related cross-functional tasks prior to obtaining management approval to proceed to the next stage.

Each stage represents a distinct set of related activities, normally grouped into five stages using **gate criteria**, as shown in the diagram below. At each stage an idea may be approved, rejected or sent for rework.

**Product launch**, also termed **new product introduction**, occurs at the end of the commercialization stage.

Following launch, the separate process of **product life-cycle management** begins.



The new product development process

## B Is there a need for a product or service?

When product design and market opportunities are complex, a preliminary investigation, called a **feasibility study**, will be conducted. This is the systematic and detailed assessment of whether a design, process or material for production fulfils all the **technical requirements**.

This must take place before detailed (and expensive!) **primary market research** is carried out so that a business case can be prepared to demonstrate that the project is worth developing further.

Evidence based on informal enquiries with current customers can be used at this stage. Any **quantitative data** (based on numbers, percentages and statistics) and **qualitative data** (based on attitudes, opinions and preferences) that can be gathered from existing **in-house sources** such as the company's **accounting system** or recent **sales records** can be valuable. There may be some **secondary market information** available in **government statistics** and in publications from relevant **industry bodies** or the **local chamber of commerce**.

More formal primary marketing research can be done later, involving **online surveys**, **focus groups** and **structured interviews** with those likely to be interested in the new product or service.

- 8.1** Find six word combinations using the word **product** from A.
- 8.2** Put the different stages of the Stage Gate process into the most appropriate order then add headings to the table, using terms from A. One is done for you.

		1. Strategic planning			
<b>a</b> A tangible prototype is created and evaluated using both market and technical criteria.	<b>b</b> Is it possible to deliver the new product technology?	<b>c</b> Is there evidence of market size and technical feasibility to create a market opportunity?	<b>d</b> Is there market interest in the product concept, market viability, revenue potential, etc?	<b>e</b> The product is finally put on the market.	<b>f</b> The product takes its ultimate form and marketing plans are evaluated.

- 8.3** Choose the correct definition of each of these noun phrases.
- 1 An industry body:
    - a A professional group that oversees standards and represents the interests of manufacturers in a particular sector.
    - b A government body that oversees the standards of industry in a particular sector.
  - 2 A trade fair:
    - a An event where manufacturers from one industry attempt to exchange their products and services with manufacturers from a different industry.
    - b An event where manufacturers from a particular industry present their products and services to potential retailers and distributors.
  - 3 A focus group
    - a A group in a company who analyses its consumers and their needs.
    - b Groups of consumers who evaluate a new product or service.
  - 4 A Chamber of Commerce
    - a An association of businesses in a local city or region which protects the economic interests of its members.
    - b A building where businesses come to carry out their trade.
  - 5 A trade journal
    - a A periodical or magazine about international trade.
    - b A periodical or magazine aimed at providing news and information for specialists in a particular area of business, e.g. motor manufacturing or petroleum engineering.
  - 6 Product champion
    - a An individual who recognizes a new technology or market opportunity as having significant potential and generates support from other people in the organization.
    - b A best-selling product or product range.

### Over to you



Search online using the key term *stage-gate process* to learn more about this process.

Give some examples of how you can map some real instances of new product development to the stage-gate diagram.



# 9 New product development in practice

## A Diffusion of innovation and customer adoption of new products

**Diffusion** of innovation is the process by which new ideas, products and technology spread through a society or a culture.

The Everett Rogers framework describes the way consumers **evaluate** and **adopt** new products and the categories of consumers at **stages of adoption** as the product **diffuses** through the market.

Diffusion of an innovation occurs over a period of time among the members of a customer group, and involves the following stages: awareness, interest, evaluation, trial and adoption.

Rogers identifies five categories of adopters:

- **Innovators** – the first group to adopt a new product is a small group of individuals who are very open to new ideas and prepared to take a risk.
- **Early adopters** – the next people to adopt the product are often opinion leaders who serve as vital links to members of the early majority group.
- **Early majority** – this next group of adopters want to be sure that a new product will prove successful before they adopt it.
- **Late majority** – these are people who may be forced to adopt a new product for economic or social reasons.
- **Laggards** – often stubbornly resist change and are the last group to adopt the product.

## B The Maclaren Baby Buggy

Owen Finlay Maclaren, a retired aeronautical **designer** and former test pilot, used his **aircraft design** experience in **designing** and manufacturing baby buggies. The Maclaren buggy's wheels and folding mechanism reflect its designer's specialist knowledge and experience of aeronautical engineering.

To Maclaren a baby buggy had to be durable, safe and lightweight; so he redesigned the pushchair from the **traditional design**. Maclaren's **design director** later commented: 'he solved a very difficult engineering problem. Today we are using **computer-aided design** systems to model solutions like that.'

He secured **investment** and the first buggy was sold in 1967. By the 1990s production had reached half a million a year, with steadily growing **order books** as **export sales** developed.

The development of balloon tyres, with rubber made to a **special formula**, to give babies a smoother ride was another 'first' for Maclaren.

Maclaren died in 1978, but his **vision** transformed baby transport all over the world. The **revolutionary design** liberated parents from the bulky pram and quickly became an **object of desire** for new parents. Maclaren Ltd today is a **highly successful business**, consistently winning **design and safety awards** for a **wide range of products**, all variations on the original theme.

## C Some disasters

The Edsel was a brand of car manufactured by Ford in the late 1950s that became synonymous with **innovation failure**. There were several **contributory factors**:

- **The late '50s recession** – potential customers preferred a less **innovative product**.
- **The design** – service engineers found the engine difficult to work on.
- **The price** – the car was perceived as too expensive.
- At 84,000, total sales failed to meet the company's **projected break-even point** of 170,000 needed to make a profit.
- Fifty years after its **spectacular failure**, fewer than 6,000 Edsels now survive. Considered collectors items, they are highly desirable in the eyes of car enthusiasts.

