

Read the text again and answer the following questions.

- 1 What are the similarities between Enron and Ahold?
- 2 What should European companies do?
- 3 Why did the shareholders admire Cees van der Hoeven?
- 4 Which of Ahold's acquisitions is mentioned in the text?
- 5 What did Europeans believe about corporate wrong-doing in the past?
- 6 How did Foodservice overstate its sales?

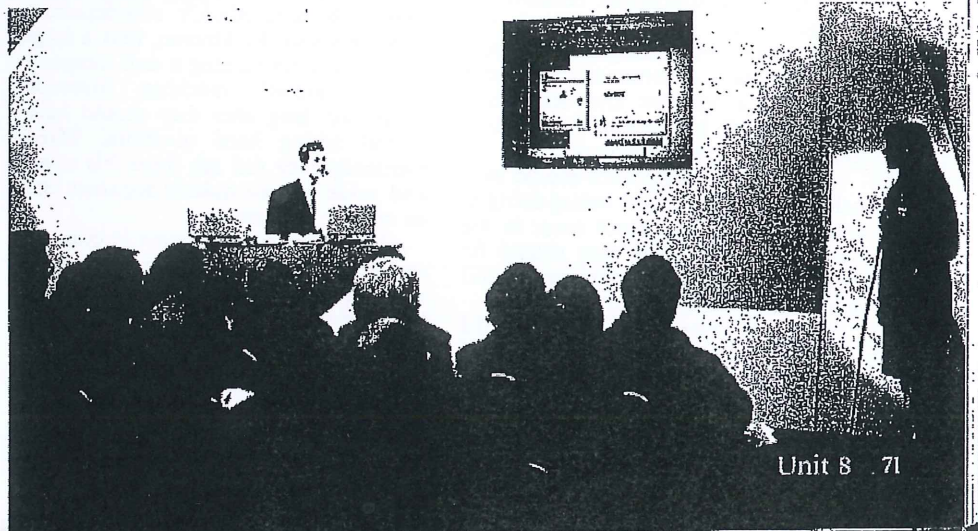
Speciating

Do you think CEOs who falsify accounts are criminals and should go to jail or is it an acceptable risk to falsify accounts if it helps to safeguard the company's future and jobs?

Vocabulary

Choose the best word to fill each gap in the sentences below.

- 1 Sales are a good way for _____ to get rid of surplus stock.
a retailers b sellers c dealers d wholesalers
- 2 The company was in fact seriously _____ even though they claimed to be making a profit.
a at a loss b in debt c in the black d broken
- 3 Some companies _____ their earnings to drive up share prices.
a overdo b overflow c overstate d oversee
- 4 The Financial Services Authority was set up in the UK to deal with _____ such as fraud and insider trading.
a issues b ideas c reasons d purposes
- 5 When the CEO should have been cost cutting, he was spending huge sums on _____ that turned out to be unprofitable.
a increases b investors c growth d acquisitions
- 6 When you buy in bulk you can obtain _____ or rebates.
a discounts b sales c decreases d interest
- 7 Shareholders lost money when the company declared itself _____.
a redundant b sold out c broken down d bankrupt
- 8 When they heard about our financial difficulties our _____ asked to be paid in advance.
a service b deliveries c suppliers d orders
- 9 They didn't lie - they simply tried to _____ the truth.
a conceal b prevent c reduce d warn



Dilemma & Decision

Dilemma: Counting the costs

Brief

MultiBrands is a globally successful consumer products company, which has built up a reputation based on 'Honesty, Quality and Innovation'. Since it started operating ten years ago, it has launched at least two new, high-quality products in different markets every year. However, managers are currently reviewing company policy because of a recent dramatic fall in profits and share price performance. Shareholders believe that this is due to over-diversification, rising costs and falling consumer confidence as a result of complaints that product quality is declining. Shareholder recommendations are:

- freeze current policy of developing new products
- concentrate on consolidating current successful brands
- improve quality or reduce prices
- freeze recruitment but avoid layoffs
- reduce current budget by 15 per cent

Task 1

In groups, study the information on page 140 and discuss where budget cuts and reallocations could be made in order to achieve a 15 per cent reduction in total operating costs. Consider all the above shareholder recommendations before making a final decision.

Useful phrases

- As you can see, ...
- You'll notice that ...
- ... clearly shows ...
- ... led to the ... you see here

Task 2

Draw new visual aids to illustrate the changes and cuts you have made to the various departmental budgets.

Task 3

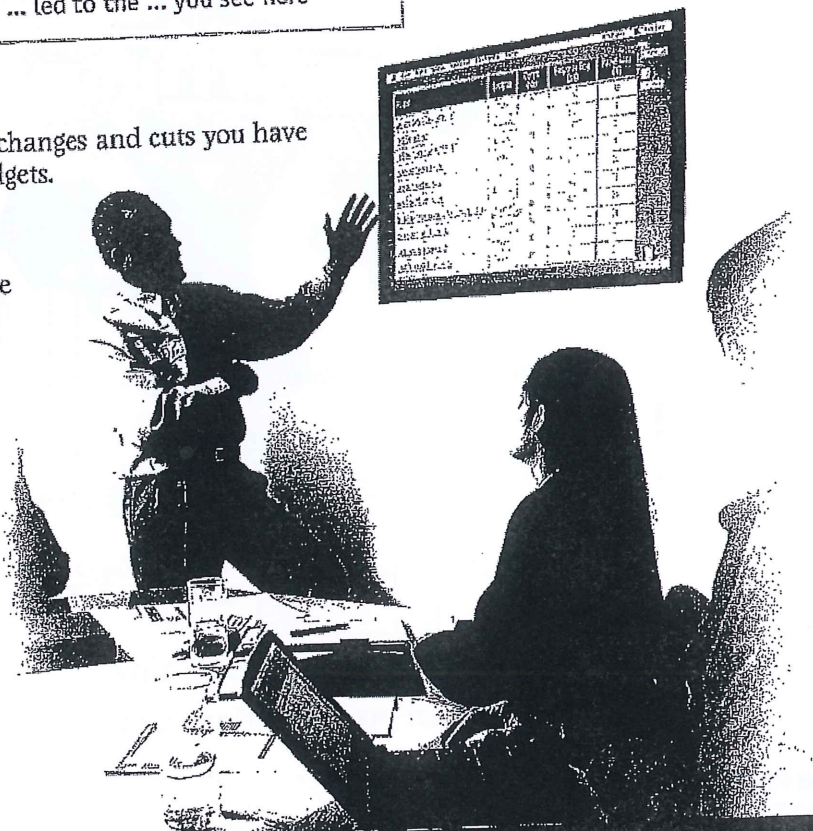
Present your budget proposal using the new visual aids.

Write it up

Summarise your proposal in a short report. Include graphs and charts to help illustrate and support your ideas. (See Style guide, page 26.)

Decision:

- Listen to William Grange, from International Consultants, saying where he would have made the necessary budget adjustments and cuts.



Ask Student A to give you the missing information about the following severance deals.

Bob Mendelsohn, former CEO of Royal & Sun Alliance, a large UK insurance company.

Severance deal:

Company performance:

Sir Brian Moffat, former CEO of Corus, the Anglo-Dutch steelmaker.

Severance deal:

Company performance:

Now answer your partner's questions about the following CEOs.

John Weston, former CEO of BAE Systems, the UK aerospace group.



Severance deal:

- £1.5m pay off
- £3.7m pension fund

Company performance:

- falling profits
- shares were the lowest they'd been in 10 years.

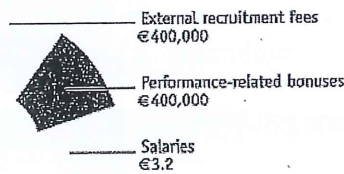
Sir Geoff Mulcahy, former CEO of Kingfisher, a UK retail giant.



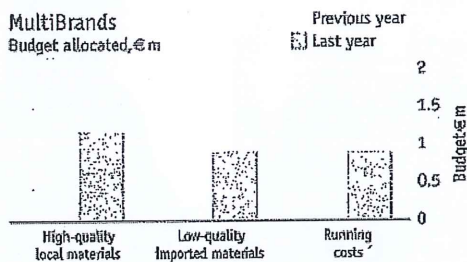
Severance deal:

- £502,000 in his last year with the company
- £1.4m pay off
- £790,000 a year pension despite:
- shares falling from 719p to 200p

Human Resources costs



Production operating costs



Sales and Marketing costs

