

7 Mergers and acquisitions

Subject background

A merger is when two companies join together as equals to form one, and the process is mutually consensual, whereas an *acquisition* (or *takeover*) is when a larger company buys a smaller one, and the smaller company may not be happy because its identity will be lost. In practice the differences are not so great, firstly because nearly always one partner will be more powerful, and secondly because the legal and practical arrangements are very similar.

The term *M&A* is common in place of *mergers and acquisitions*, and it is used a lot in the context of investment banking, where advising on and organizing M&A activity is a very lucrative part of their business.

What is involved in deciding on a merger or acquisition? The initial idea will come from the board of directors – it is a very long-term strategic decision and operational managers are unlikely to put forward the idea of joining together with a company who they see as a competitor in their day-to-day work.

So, the board has to make a decision that for reasons of growth, or increased competitive advantage, or extending their product line into other related areas, they will look for a target company to merge with or buy. The next step is to analyse the potential target. This means not only understanding its products and its customers, but also its cost structure, a) because the aim is to make substantial savings when the two companies join together and b) any future investments that might be necessary if it were bought.

Eventually you arrive at two figures – the first is what the company is worth to the current owners, and the second is what it is worth to the company making the acquisition. The difference between the two arises because of the benefits (added value) that the acquisition will bring. If those benefits are clear and substantial, the takeover will go smoothly – the acquiring company will start to accumulate shares in its target until it has a controlling stake. Existing shareholders of the target company are likely to be happy – the price of their own shares will be rising because of the increased demand as shares are being bought, and because of the future prospects for synergy between the two companies.

People inside the target company will be less happy – they will be worried about their jobs. The larger company who is buying them is unlikely to need two marketing directors, two finance directors, and all the extra middle managers. Indeed, one of the main arguments in favour of the acquisition will have been precisely this – to make cost savings by merging budgets and running the same business with fewer employees. In relation to the board of the target company – they may be prepared to fight for their independence if the takeover is hostile, or they may be pleased (perhaps they had decided to sell off this part of the business in order to focus on their core activities).

After the acquisition has happened, success is by no means certain. The first problem is cultural – the two organizations may have a different way of doing things, and there may be personality clashes between the two groups of managers. The second is poor implementation – reorganization, new job descriptions, unfamiliarity with the customers and markets of the other company will all lead to a period of confusion, and any expected cost savings may not materialize.

Useful websites

For more details on M&A, look at the 'investopedia' website – this is generally one of the best sources of financial information for language teachers on the net:

<http://investopedia.com/university/mergers/>

7.1 About business

Risks and opportunities in M&A

This module explores issues around mergers and acquisitions; students examine the pros and cons of taking over a business and practise making effective presentations using visuals.

Internet research

A search under *surviving a merger* will bring up numerous articles offering advice on what employees can do when their company is taken over, including the following:

- develop a plan of action in case you are made redundant
- re-assess your position in the company and take advantage of any opportunities for promotion
- be willing to accept change
- work out ways of managing the effects, e.g. confusion, increased workload, low morale, by trying to remain positive
- being supportive of colleagues' who lose their jobs or suffer in some way as a result of the takeover, etc.

This research could be done after the extension activity at the end of exercise 5 or after students have finished the module, as a follow-up activity.

Discussion

1 Getting married could be seen as a kind of merger or acquisition! Get students to make a list of the kinds of things that happen to two people's separate lives when they get married and in what ways these are similar to two companies merging.

SUGGESTED ANSWERS:

How a merger is like and unlike a marriage:

Usually, both people in a marriage bring assets (car, stereo, house, an income) into the marriage so their combined wealth is greater than their individual wealth. In the same way a merged company will have more assets than the individual companies had had.

A newly-married couple have to learn to live with each other and work out the best way to do things as a couple. One person might be good at housework while the other might be better at doing the household accounts. In the same way employees in a merged company have to learn to live with each other and accept that there may be different ways of doing things in the newly-merged company.

Married people have to pull together and work hard to make the marriage a success – the same can be said of a newly-merged company.

How mergers and acquisitions are perceived by the following:

Employees – they get worried about redundancies, having to move office, etc. Workforces are generally resistant to change.
Shareholders – they like mergers if it means that they will profit from M&As.

Customers – they sometimes worry about losing contact with the company as they know it, especially if they are loyal, established customers. They might worry about a change in the quality of the company's products or services.

The general public – they can view M&As with suspicion or they may not even know that a particular company has merged with or acquired another company.

Skim reading

2 Read the four questions aloud. Give students a few minutes to read the article and find the answers. Check answers with the whole class. Remind students not to worry at this stage about any unknown words – they will have time in exercise 3 to deal with these.

With lower-level classes, split the text into four parts and get students to look for answers to the questions section by section, i.e. read paragraphs 1 and 2 and look for the answer to question 1; read paragraph 3 and look for the answer to question 2; read paragraph 4 and look for the answer to question 3; read paragraph 5 and look for the answer to question 5.

ANSWERS:

- 1 American executives. Because merger and acquisition deals are worth astronomical sums, and many mergers result in a net loss of value.
- 2 Techniques based on best practice in the conception, planning, due diligence, negotiation and integration stages, and common acquirer errors.
- 3 Improving earnings, asset growth, developing synergies, making economies of scale, increasing market share; cross-selling, diversification, or taking on debt to make the acquirer a less attractive target.
- 4 Reasons which involve excessive pride or arrogance on the part of management, e.g. wanting to build too big an empire, too quickly.

Reading for detail

3 Circulate while students are discussing the true / false statements. Get them to underline the parts of the text that helped them find the answers. Remind students to check any unknown words in the *Wordlist* on page 157 in their books or use their dictionaries.

If necessary, explain that *B-schools* are business schools.

ANSWERS:


- 1 True – 70% of half the 1,500–2,000 mergers in the world: $1,500 / 2 \times 0.7 = 525$
- 2 True – American executives are queuing up to go back to school for M&A classes
- 3 False – Classes are 'open enrolment' - the only condition of attendance is your, or rather your company's, ability to pay the fees.
- 4 False – Guest speakers illustrate some of the most common acquirer errors.
- 5 False – You might think that B-school professors would discourage their students from taking on mergers. But you'd be wrong.
- 6 True – Developing synergies and making economies of scale are conveniently long-term goals.
- 7 True – Empire-building is a wrong reason, but diversification and increasing debt can be good reasons.
- 8 True – CEOs need to be brought back down to earth and follow their heads rather than their hearts.

EXTENSION ACTIVITY

Ask students to look at the tortoise / hare picture on page 85 in their books. Ask them to discuss in small groups or with a partner what it represents in relation to the subject of mergers (the idea that the two companies with very different natures have to become 'one animal' – e.g. the hare = a fast-moving company that is focused on quick growth which merges with the tortoise = a company with a slow growth rate that focuses on maintaining its customers).

You could ask students to think of other animal metaphors (elephant and mouse = big and small; tiger and cow = aggressive and complacent; owl and kitten = old, wise, serious and young, immature, fun / playful, etc.).

Listening for gist

4  3:01 Get students to predict what the 'five Gs' might be. Write their answers on the board. Play the whole interview through and get students to put up their hands when they hear a 'G'. Pause the recording and check answers. Write the words on the board. Get students to give you the correct spellings in each case, if they can.

ANSWERS:

Goals, Gains, Genes, Geography and Growth

RECORDING SCRIPT

 3:01

Interviewer: If mergers are so difficult to do well, why bother with external growth at all? Why not just grow internally?

Bernard Degoulange: Well, the most common reason, and probably the best reason for a merger, is that your customers are asking you for something you can't deliver. Let's say you sell champagne. If people are satisfied with your champagne, they're going to start asking you for whisky, simply because everybody would like to be able to get the solution to all of life's problems from the same place. Now, if you can't give your customers the whisky they're asking for, you have a problem. Because however satisfied they are with your champagne, they're going to go somewhere else for whisky, and that's when you risk losing those customers.

I: What advice would you give on finding the right company to acquire?

BD: Personally, I have five points that I want to examine when looking at a possible acquisition: the five Gs. If I don't get good answers to at least four of them, I don't do the deal. The first of the five Gs is Goals. Are our goals compatible? Are both companies trying to achieve something similar? If not, keep looking. Secondly, Gains. I want to know if there will be real gains in terms of economies of scale. And will these gains compensate for perhaps not being able to react as quickly to new trends in the market because of the size of the organization? Being bigger is not always better. The third point is Genes. That's genes with a G, not with a J! By genes, I mean company culture. There's no point in trying to merge a traditional, hierarchical family business with a fast-moving start-up with a laid-back management style. It just won't work, the cultural genes are too different. It's not enough to find a partner whose strengths compensate for your weaknesses, and vice versa; there has to be a real synergy in culture and personality.

I: Yes, if that synergy isn't present, there's a risk that neither company's customers recognize the firm that they used to trust.

BD: Exactly.

I: OK, so, Goals, Gains and Genes. What are the other two Gs?

BD: Geography and Growth. Are the companies based in the same city or geographical area? If not, communication between headquarters is much more difficult, and the Gains are harder to achieve.

I: And Growth?


BD: Will the merger provide technology or skills that you don't have now, which would take too long to develop yourself, and which will unquestionably allow your company to grow? If the merger will open new markets, which would otherwise be inaccessible, then it makes sense.

I: When you've identified the right partner, how can you make sure the merger goes smoothly?

BD: The most important thing is to look after your people: employees, management and of course customers, but especially employees. First of all, you have to keep them focused and productive. A merger is a wonderful opportunity for everybody to take their eye off the ball – and so it's a wonderful opportunity for the competition

to jump in and take market share from both companies in the merger. Secondly you have to help employees get over their feelings of loss and perhaps anger as quickly as possible, and accept the new situation. Whenever there is a merger, two companies die and a new company is born. It's essential to help people get through that traumatic period, to explain how things will change and what their new roles will be, and to get them to accept the new organization and their new identity. It's essentially about communication, sometimes counselling, and compensating those who leave the company, whether by choice or not.

Listening for detail

5  3:01 Students work with a partner to note down the answers to the questions. Play the recording as many times as students need to hear it. With lower-level classes, pause the recording after the answer to each question to give students more time to write. Check answers with the whole class.

Make a note of the answers to question 3 on the board to make sure everyone has the same information. This will be a useful reference for exercise 6.

SUGGESTED ANSWERS:

- Probably the best reason for a merger is that your customers are asking you for something you can't deliver.
- If people like your champagne, they're going to start asking you for whisky. If you can't give your customers whisky, they're going to buy it from someone else, and then you risk losing your champagne customers too.
- Goals: the goals of both companies must be compatible. Gains: there must be real gains in terms of economies of scale, big enough to compensate for becoming less reactive. Genes: company cultures must be compatible. Geography: head offices of the two companies should be geographically close. Growth: the merger must unquestionably allow the company to grow.
- The opportunity for the competition to jump in and take market share from both companies, because people are distracted by the merger.
- Because two companies die and a new company is born.
- By communicating and counselling, explaining how things will change and what their new roles will be, and getting them to accept the new organization and their new identity.

EXTENSION ACTIVITY

Ask if students have any personal experience of mergers and acquisitions.

For pre-work students, get students to think about the impact of a takeover on the employees. Ask e.g.:

What would be traumatic about it?

How might employees feel?

Why might some people be made redundant?

Why might some employees want to leave voluntarily?

Discussion

6 Students work in small groups to make a list of pros and cons, using the five Gs as a starting point, but adding any other ideas of their own. Get students to make a decision about whether they will take over Kadris' Kebabs. Circulate while they are working and assist where necessary.

When they have finished, get each group to say whether they would proceed to a takeover or not and give reasons for their decision, incorporating the five Gs into their answers.

7.2 Vocabulary

Business performance

This module practises a range of words and phrases for describing business performance, talking about cause and effect, and describing information in graphs.

Internet research

An Internet search of *bulls bears* will reveal that bulls buy shares hoping to sell them at a higher price later, while bears sell shares hoping to buy them back later at a lower price. Bulls may be seen as optimistic because they hope the market will improve. Bears may be seen as pessimists because they are hoping for a fall in the market price. Other 'animals' that students may find mentioned in connection with the stock markets are chickens, pigs (or hogs), and sheep.

Students could do this research as a follow-up to this module to find out further information about stock markets.

Discussion

1 Ask students to work with a partner. Remind them to use clues in the extracts to help them match the headlines to the sentences and to work out whether good or bad news is being reported. Check answers with the whole class, getting students to tell you how they arrived at their answers.

To focus on the meaning and use of the phrases in the headlines, get students to tell you:
 which two phrases are opposites (*in the black / in the red*)
 which three phrases mean that a company has failed (*go under / go bankrupt / go to the wall*)
 which two phrases mean that the company didn't make a profit (*cover costs / break even*).

ANSWERS:

- 1 Titanic Enterprises go under h) – bad news
- 2 Air New Zealand in the black g) – good news
- 3 Oldies Records cover costs c) – good news
- 4 Honecker Ltd go to the wall b) – bad news
- 5 Brizal Coffee break even d) – good news
- 6 Marks & Engsel go bankrupt e) – bad news
- 7 Liverpool FC in the red a) – bad news
- 8 Predictor Inc make a profit f) – good news

Giving financial information

2 Ask students to do the first part of this exercise alone and then compare their answers with a partner. Check answers with the whole class by getting students to read the sentence aloud. Ask them to say whether it describes an increase, a decrease, or stability. Monitor pronunciation.

Follow the same procedure with the second part of the exercise. Check answers by reading sentence 1 aloud yourself, and getting students to read the correct matching sentence from a)–h).

To focus on meaning, get students to divide the verbs into three lists headed *Increase*, *Decrease*, *Stable* and *Other* (i.e. words which don't fit into the other three categories), e.g.:
Increase: jump, rise, double, peak, climb, reach a high
Decrease: fall, slide, dip, slump, drop, deteriorate
Stable: stabilize, level off
Other: fluctuate, vary

ANSWERS:

- 1 c) ↗ 2 g) ↘ 3 f) ↗ 4 a) →
- 5 b) ↘ 6 d) ↗+↘ 7 h) ↘ 8 e) ↗

3 Do this as a whole-class activity. Get students to read out the correct sentence to match each of the four graphs.

To check students' understanding of the differences in meaning between *by / to*, *of / to*, *of / from* in this context, get them to draw graphs showing the correct meaning of the other sentence in each case.

ANSWERS:

- 1 b) Sales increased to \$3M.
- 2 a) There was a decrease of 10%.
- 3 a) Prices fell by €15.
- 4 b) There was a rise from 30%.

4 Students work with a partner. They take turns to read the first part of the sentence, while their partner reads the matching second half.

Ask students which group in exercise 3 (*Increase / Decrease / Stable / Other*) the following verbs would go into: *improve, go up, grow, shoot up* (*Increase*).

ANSWERS:

- 2 a) 3 b) 4 c) 5 h) 6 e) 7 f) 8 g)

5 With lower-level classes, first get students to sort out the verbs + adverbs from the adjectives + nouns. Check answers with the whole class.

ANSWERS:

- verb + adverb (smallest to largest)
- grow slightly improve significantly go up sharply
 - shoot up dramatically +
- adjective + noun (smallest to largest)
- a slight increase moderate growth
 - a considerable improvement a sudden surge +

6 Students work with a partner. Check answers by getting students to read the completed sentences aloud.

Although several of these phrases can be used interchangeably, the second part of the exercise demonstrates the differences among some of them.

ANSWERS:

- 1 due to / as a consequence of / as a result of / because of
 - 2 resulted in
 - 3 as a result / as a consequence
 - 4 thanks to / due to / as a consequence of / as a result of / because of
 - 5 resulted in
 - 6 As a result / As a consequence
- due to, as a consequence of, as a result of, because of, thanks to* explain causes.
resulted in, as a result, as a consequence introduce effects


FURTHER PRACTICE

To check that they can use the phrases correctly, give students a number of sentence starters to complete, using the phrases in exercise 6, e.g.:

- I didn't finish the report on time; as a result _____.*
Thanks to _____, I got the promotion I wanted.
As a consequence of the takeover, my department _____.
Due to _____, I had to relocate to London.
Because of _____, I decided to look for another job.

Check answers with the whole class, accepting any reasonable answers.

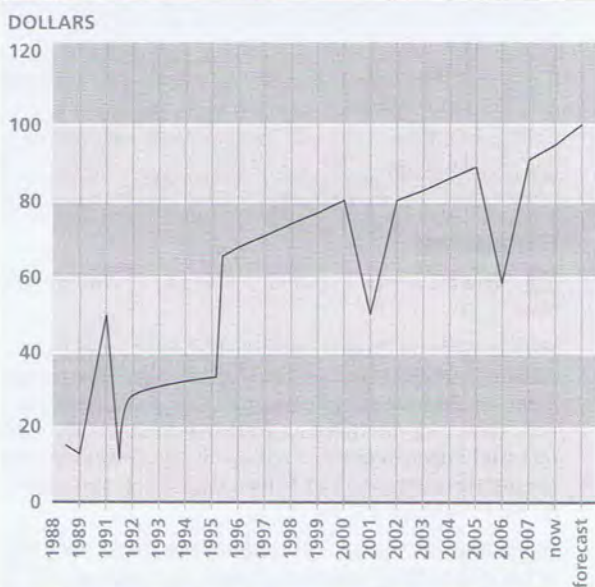
Listening for detail

7  3:02 Before students listen, get them to look at the axes on the blank graph so that they know what will be discussed (time, money) and to look back at the vocabulary they have practised in exercises 1–3.

With lower-level classes, draw a simple graph on the board, e.g. showing a fluctuation in number of students at a school / doing a particular course, etc. The vertical axis could represent the number of students in units of 10. The horizontal axis should represent a range of years, e.g. 2001 to 2006. As a whole class get students to describe the graph. Encourage them to use as much language as possible from the module, e.g. *There was a sudden surge in students numbers in 2005 with 100 students compared to 80 the year before.*

Play the recording as many times as students need to hear it to complete the graph. To check answers, get individual students to tell you about sections of the graph, using the phrases used in the recording or their own words, e.g. *In 1988 the share price was \$15. In 1989 it dropped suddenly to \$12. Then it reached \$50 in 1991, etc.*

ANSWER:



RECORDING SCRIPT

 3:02

Anchor: Oxter Holdings today confirmed that they have increased their bid for Fraxis Corp. to \$98 per share. Nelson Brown has the details of the New York industrial designer's Wall Street success.

NB: Fraxis Corp. was floated in 1988 at just \$15 per share. After a sudden drop of \$3 in 1989, the stock rose gradually over the next two years to reach \$50 in early 1991, when Fraxis acquired one of their smaller competitors, Nimmco. The market was not enthusiastic about the takeover, and Fraxis fell sharply by over 40%. It then recovered slightly and levelled off around the \$30 dollar mark for the next three years. In 1995, Fraxis CEO Alex Firman announced an alliance with the European market leader Haffmann; the reaction was immediate. The stock price soared to \$65 as institutional investors rushed to share in the profits. The alliance has been a great success; with the exception of temporary dips to \$50 in 2001 and \$59 in 2006, Fraxis has climbed steadily to peak at \$95, shortly after Oxter's first offer of \$90 a share was rejected last week. Analysts believe that Fraxis are unlikely to accept anything less than \$110, so expect to see the price jump to \$100 plus when trading opens on Monday.

Presenting

8 Circulate while students are speaking and check that they are using the target language correctly. Make a note of any mistakes for remedial teaching later. Get students to check their answers by comparing their completed graphs with their partner's original graph.

FURTHER PRACTICE

Get students to write a short summary of the information in one or both of the graphs in exercise 8.

7.3 Grammar

Future forms and expressing likelihood

This module focuses on ways of talking about the future and discussing forecasts and predictions.

Internet research

A search for *Alvin Toffler* will reveal that he is an American writer and futurist. He is well known for his ideas on, among other things, technology, communications, the digital revolution and corporate and political affairs, and their impact on society. He is the author of the best-selling *Future Shock* and *The Third Wave*, and many other books.

Students could research aspects of Alvin Toffler's work and ideas and make either oral or written presentations on them. This research could be done before or after exercises 4–6.

Test yourself: Future forms

1 and **2** Start by reading the notes on future forms in the *Refresh your memory* box with the class. Students work alone to complete exercise 1 and then compare their answers with a partner. Check answers with the whole class by getting individual students to read the sentences aloud. If students seem unsure of the future forms or would like further practice, work through some or all of exercises 1–9 in the *Grammar and practice* section (pages 130–131 in the Student's Book, answers on page 119 in this book).

ANSWERS:

Exercise 1

- 1 are going to 2 are going to 3 will
4 I'm going to 5 I'll sell

Exercise 2

- 1 b) are flying 2 b) will take 3 a) is attending
4 a) will prosecute

Test yourself: Expressing likelihood

3 Follow the same procedure as for exercises 1 and 2. Check answers by getting students to read the complete sentence aloud, followed by the percentage of probability they estimated. For further practice, students could complete exercises 10–12 in the *Grammar and practice* section (page 131 in the Student's Book, answers on page 119 in this book).

ANSWERS:

50%	1 We have a 50/50 chance of success.
20%	2 We're unlikely to get a better offer.
0%	3 There's no way my boss will agree.
100%	4 Artip will definitely be sold.
50%	5 Costs are rising: it's possible our competitors will put their prices up.
20%	6 It's going to be a tough negotiation, but they might just accept our offer.
100%	7 It's in everybody's interest: the merger will definitely go ahead.
10%	8 There's not much chance our suppliers will deliver by next week.
90%	9 You did a good job: you're almost certain to get a raise.
50%	10 Their cultures are different, but I suppose they could find common ground.
90%	11 Wait a few months: the asking price is bound to come down.
70%	12 There's a good chance we'll meet the deadline.
90%	13 It's highly likely that taxes will increase.
50%	14 It's still uncertain, but they may announce a merger.
70%	15 Chris has all the right qualifications: she's likely to get the job.
90%	16 In the months to come, we fully expect sales to increase.

Discussion


4 Read the events in columns A, B and C with the whole class.

With lower-level classes, write the phrases in bold from exercise 3 on the board so that students have easy reference to them, and brainstorm phrases students could use in defending their views, e.g. *We think ...; In our opinion ...; We reached this conclusion because ...*. Students could also use some of the phrases they practised in module 7.2, e.g. *as a result, due to, as a consequence*, etc.

To get students started, demonstrate what to do with one of the events. Discuss students' views on the topic with the whole class. Make notes on the board and use them to prepare a very short presentation.

Circulate while students are speaking and assist where necessary. Get students to make their presentations. Students in the other groups should ask at least one question per group about what they hear. Make a note of any mistakes in the target language that you hear for remedial teaching later.

Listening

5  3:03 Play the recording through once and get students to complete the exercise. Check answers with the whole class. Then play the recording again. This time, get students to note down the words and phrases that helped them arrive at their answers. Check answers with the whole class.

ANSWERS:

go freelance (U) start evening classes (P) stay at Artip (U)
find a new job (P) Artip take-over (P) read the job ads (P)
give up smoking and drinking (P)
retrain as a marketing assistant (P)
Ashley has forgotten to mention her engagement / wedding.

RECORDING SCRIPT

3:03

Ashley: Emma, Happy New Year!

Emma: Happy New Year!

- A: What are you doing all alone over here? I haven't had a chance to talk to you all evening. Have some more champagne!
- E: No, I shouldn't. I'm going to give up smoking and drinking this year. It's my New Year's resolution.
- A: Really?! Well, you can start tomorrow. Come on, Em, it's New Year!
- E: Oh, all right, just a drop. Thanks. Anyway, what about you, Ashley? What's the New Year going to be like for you? Have you made any resolutions?
- A: No, not really. But I'm definitely going to find a new job. There's no way I'm staying at that company for another year.
- E: Right. Have you got anything in mind?
- A: No, but I'm going to read the job ads until I find something good. I'm bound to find something better than what I do now.
- E: Oh, I'm sure you'll find something easily. Or you could go freelance, with the talent you've got ...
- A: Freelance?! Well, I suppose I could, but I think it's unlikely. It's far too complicated. No, I'm just going to choose about ten or twelve jobs to apply for, go along to the interviews, and we'll see what happens. I'm going to take my time, not rush into anything.
- E: Right. I think that's very sensible.
- A: So, what about you? Are you going to stay at Artip?
- E: I doubt it.
- A: Really?! Are you going to leave, or are they going to throw you out?
- E: Well, both of those are quite likely, actually. The company's being taken over in February, so we don't know what will happen. I mean, they're bound to make redundancies, we just don't know how many. Anyway, I'm starting evening classes next week. I'm going to retrain as a marketing assistant.
- A: Excellent! Well, here's to a successful New Year for both of us!
- E: Yes, cheers! But, um, Ashley, isn't there another New Year's resolution you've forgotten to tell me about? Is that a real diamond? Who's the lucky man, then?

Discussion

6 As an alternative to pairwork, students could do this as a whole-class activity, milling about as if at a party, talking to several different people. Read through the question and the list together. Ask students what kind of questions they might ask each other.

With lower-level classes you could write the questions or question prompts on the board, e.g.:

What are you planning to do with the rest of the day?

What are you doing at the weekend?

What (subjects, course, etc.) do you think you might do next term / year?

When do you think you'll retire?

Tell students that they should remember or take simple notes on some of the answers for feedback at the end.

Give students time to mingle and talk, participating in the activity yourself. When they have finished, get some students to report back, e.g. *I spoke to Klaus about his plans for next year. There's a good chance he will do an MBA in the States.*

FURTHER PRACTICE

Students discuss or write about plans, intentions and hopes for their town or city. Topics could include, shopping, leisure facilities, roads, public transport, taxes, government.

7.4 Speaking

Presentations – visuals

This module explores ways of presenting information through the use of visuals and practises expressions for explaining the information in them.

Internet research

Horizontal integration refers to the activity of a company when it expands its business into different products that are similar to its current products, e.g. a hot dog seller expands into hamburgers. *Vertical integration* means that a company expands its business into areas that are at different points of the same production path, e.g. a car company expands into tyre manufacturing.

Students could choose one of the three industries mentioned – music, drinks, or TV – and gather information and examples about vertical integration.

This research could be done before the presentation activity in exercise 7 or as a follow-up to it.

Discussion

1 Read through the list of presentation tools and make sure that students know what they are. Encourage them to think about the pros and cons of each tool. Give students a few minutes to write their own answers and compare them with a partner. Take whole-class feedback.

Students could also consider which tool(s) might be appropriate for different types of presentations and audiences, e.g. an audience of more than 100 people in a large room; a small group of people around a table; a formal sales conference, etc.

Some students may decide that none of these tools is essential to a good presentation, and that other things are more important, e.g. tone of voice, body language, preparation, knowing your audience, etc. At this point you could remind students of the discussion they had in Unit 3 on the qualities of a good presentation.

ANSWERS:

Answers will vary. It usually depends on the formality of the presentation, where it takes place, whether it involves any audience participation, the size of your audience (an overhead projector – OHP – will be better than a flip chart for larger audiences), what the presentation's about and what your audience expects.

Listening for gist

2 3:04–3:08 Before students look at this exercise, get them to brainstorm the ways in which visuals can be used badly or ineffectively in presentations. Get them to think about their own experience – presentations they have seen (or have done themselves!) which have not worked well.


Read the sentences aloud or get students to read them. Compare these points with the ones students made themselves. Then play the recording through once while students listen and match. Get them to compare their answers with a partner.

Play the recording again so that students can check their answers. Check answers with the whole class by getting students to read the sentences aloud. Ask them to add some information about what each presenter did which failed to meet these guidelines, e.g. *Presenter 1 showed three slides one after the other very quickly. The audience may not have had enough time to look at them properly and there was probably too much information to take in.*

ANSWERS:

- C** Don't put too much data on slides: no more than six lines of text, and no more than six words per line.
- A** Too many visuals confuse the audience: don't overload them with slides.
- D** Don't be too technical; adapt to the target audience, and don't read out text on slides.
- E** Help the audience to understand by introducing, highlighting and explaining the most important information.
- B** Check all materials and equipment, and have backups for everything.

RECORDING SCRIPT

 3:04–3:08

Presenter A

Now, my next slide shows how the number of takeovers is likely to increase over the next decade. This one gives a breakdown by sector. This next slide highlights the probable effects on company performance. And this one, this one and now this third slide show how share prices will fall.

Presenter B

Moving on to my next point, which is, er ... yes, management buy-outs. No, sorry, just before that I'm going to show you another slide about corporate raiders. Ah, sorry, I can't seem to find it. Well, there's a hand-out which gives you the main points. I'll, er, make some copies when we finish. So, have a look at this slide which shows the confusion which resulted from ... Ah, no, sorry, those are my holiday photos ...

Presenter C


Now, then. Let's look at the next slide which shows some very interesting data. As you can see here – oh, or perhaps you can't see – yes, I'm sorry, the figures are rather small. Anyway, the sales forecasts are particularly good, in contrast to the data for the last three years, which is in the, ah, smaller table, over here on the right. Ah. You can't read that either?

Presenter D

If you look at the next slide, you'll see that we intend to collect data for the survey using a Grossman scheduled EMTI questionnaire modified from the standard CDF rapid assessment surveys procedure, and compensated for statistical significance using an unbiased reflex standard deviation algorithm.

Presenter E

OK, customer reactions to price and service levels after mergers: 30% of customers noticed an improvement; 49% said things had got worse. Erm, customer satisfaction by sector: almost 9% down in retail; stable in the service and financial sector; and 5% up for manufacturing companies.

- 3**  3:09 Play the recording while students listen and choose the slide that is being described. Play the recording again. Get students to listen for the ways in which the presentation has improved, e.g. the speaker shows one slide and explains it clearly; he doesn't just read the contents aloud, he gives further information and interpretation of it.

ANSWER:

Slide C

RECORDING SCRIPT

 3:09


How will our customers react to a merger? My next slide shows two charts which illustrate the problem. Recently, customers of large Spanish companies that had been involved in mergers were asked if they felt that prices and service had improved, remained the same or deteriorated as a result of the merger. As you will notice in the pie-chart, only a third of customers noticed an improvement, compared to almost half who said

that things had got worse.

Let's look at the second chart, which shows customer satisfaction by sector. As you can see, after a merger, customer satisfaction falls by an average of almost 9% in the retail sector, whereas it remains about the same in the service and financial sector, and rises by 5% on average for manufacturing companies.

The figures seem to suggest that, on the whole, customers are always likely to react negatively to mergers. This is due to a perceived drop in levels of service after a merger. The results indicate that retailers, where service is crucial to customer satisfaction, are particularly affected, as opposed to manufacturers, who benefit from mergers. Of course, this is the result of improved product quality and design, which are the most important factors for their customers.

Listening for detail

- 4** Before they listen, make sure students understand that the expressions are numbered in the same sequence as on the recording. Play  3:09 again. Pause if necessary to allow students time to complete the phrases. Check answers with the whole class. Get students to repeat the phrases, using the appropriate pronunciation, stress and intonation.

ANSWERS:

Introducing a slide or visual	Highlighting
I'd like you to look at this slide.	As the graph shows, ...
(1) My next slide shows two charts ...	(2) As you will notice in the pie-chart ...
(4) Let's look at the second chart ...	(5) As you can see, after a merger ...

Contrasting	Explaining and interpreting
In contrast to ...	(7) The figures seem to suggest that ...
(3) compared to almost half who said ...	(8) This is due to a perceived drop ...
(6) whereas it remains about the same.	(9) The results indicate that retailers ...
(10) as opposed to manufacturers ...	(11) This is the result of improved ...

Presenting visuals

- 5** Spend a few minutes discussing the pie chart, especially with lower-level classes. For example, you could ask students to give you some examples of what might be included under each heading:

housing (mortgage repayments, rent, utilities bills)
transportation (bus, train, petrol, car insurance, road tax)
food (meat, vegetables, fruit, fish, household requirements such as washing powder, etc.)
disposable (gym club membership, mobile phone costs, cinema or theatre tickets, weekends away, etc.)

While students are drawing their own pie charts, circulate and assist where necessary. Give them time to practise their presentation, using the words and phrases in exercise 4, before putting them into groups.

Circulate again while students are giving their presentations in small groups, monitoring use of the target language and making notes of any mistakes for remedial teaching later. Check also that students are following the four-point framework given in the exercise.

When students have finished, get some of them to repeat their presentations for the whole class.

7.5 Writing

Presentation slides

This module explores how to use PowerPoint slides and provides practice through reading and listening in preparing slides for presentations.

Internet research

Death by PowerPoint refers to the poor use of PowerPoint for presentations and the effect this produces on audiences. Used ineffectively, presentation slides can make a presentation boring, for example if they are overused or are difficult to read or uninteresting.

Students will find websites offering advice on how to avoid 'death by PowerPoint', such as limiting the number of words on each slide, using simple, large fonts, using transitions wisely, customizing templates, and using pictures and graphs.

Students could do this research before they do this module, as a lead-in or after they have completed this module, to supplement the information given here.

Discussion

1 Do this as a whole-class activity, working through each item and getting students to comment on its suitability or unsuitability for a presentation slide. Get students to tell you where you might expect to find the two unsuitable items, e.g. footnotes might be found in an academic book or article; paragraphs are more suitable for a longer written text.

SUGGESTED ANSWERS:

no footnotes – they won't be legible
no paragraphs – just single lines of text

Reading and analysis

2 Ask students to work in small groups. After they have chosen the best way of presenting the information, get them to comment on the weaknesses of the two ways they rejected.

ANSWERS:

Slide B is the best: it highlights the key ideas the presenter wants to communicate. Each point can be understood without any commentary, but leaves room for the presenter to add interesting details.

Slide A has too much text and will be illegible. In fact, this is the oral commentary that the presenter might make on slide B.

Slide C is too succinct: there is not enough information for the key points to be understood without the presenter's explanations.

Writing

3 Students work alone, then compare their answers with a partner. Check answers with the whole class.

With lower-level classes, you could do this as a whole-class activity, writing the key words on the board.

If you wish, draw students' attention to the parts of the sentences that they have left out, as a way of focusing on general principles, e.g. omit introductory phrases, additional information, and examples; these can be said during the presentation, but don't need to be written in the slides.

SUGGESTED ANSWERS:

- One of the most challenging aspects of writing a presentation is the need to organize the information in a logical way.
→ Organize information in a logical way.
- Choose attractive background and text colours that are comfortable for the audience to read.
→ Choose colours that are comfortable to read.
- Presentation software can be fun to use. Be creative, but do not include too many effects which may distract your audience from your content.
→ Don't let creative effects distract from content.
- Make sure the text is large enough that the audience can read it easily from the back of the room. Also, use a standard font that is not too complicated or distracting.
→ Use large, easy-to-read text and standard fonts.
- Use positive statements like 'The figures show...' rather than vague language like 'The data could possibly suggest ...'
→ Prefer positive statements to vague language.


4 Ask students to work with a partner to do this exercise. Encourage them to underline the key words first, as in exercise 3, and then compose the points for the slide, using their own words or rewriting, where necessary. Circulate while they are working and assist.

Get students to write neatly or type their five points on a sheet of paper, and display them on a table or wall so that everyone can see them.

SUGGESTED ANSWERS:

Three scenarios for our company's future.
Do nothing, continue to survive.
Invest in technology, develop new products.
Acquire Iticom, enter new markets immediately.
I recommend acquisition: risky, but enormous potential.

Taking notes and writing slides

5  3:14 Read the instructions with the whole class and get students to predict what the strengths, weakness, opportunities and threats might be for a software company in today's market. Play the recording through once so that students get an overview of the presentation. Ask students how many slides they would want to prepare – they may say four (strengths, weaknesses, opportunities, threats), but as suggested here, they should also prepare an introductory, or 'overview' slide.

Then, play the recording again. Pause at the end of each section to allow students to make notes on the main points. Get students to compare their answers with a partner. Play the recording again so that students can check their answers. Then take whole-class feedback, ensuring that everyone has the right information to prepare the slides.

Students work with a partner again to prepare their slides. Circulate and assist where necessary. When students have finished, play the recording again and get students to listen and imagine the speaker is working through the slides as he delivers the presentation. This will allow them to check if their slides work effectively alongside the spoken presentation.

SUGGESTED ANSWERS:

- 1 Overview:
 - Strengths
 - Weaknesses
 - Opportunities
 - Threats
 - Proposal
 - Questions and reactions
- 2 Strengths:
 - a reputation for innovation and quality
 - expert staff
 - careful financial management (chart)
- 3 Weaknesses:
 - not enough office space
 - costs (chart of development costs)
 - recruitment
 - size: too small and vulnerable
- 4 Opportunities:
 - recruit in eastern Europe
 - do development offshore
 - consolidation and diversification
- 5 Threats:
 - possible takeover target
- 6 Proposal:
 - take over Oranmore Video Games
 - growth and debt, less vulnerable
 - diversification, economies of scale
 - solve recruitment and space problems

RECORDING SCRIPT
 3:14

Good morning everyone, and thank you for coming. Two months ago, you asked me to conduct a strategic analysis of the company's strengths, weaknesses, opportunities and threats. I'm here today to present my findings, and to make recommendations on the basis of those findings.

I intend first to give a short summary of the company's position, and then to invite you to ask questions and give your reactions to my proposals. If anything is not clear, please feel free to interrupt me.

First of all, I'd like to remind you of the company's main strengths. As you know, Galway Software has a reputation for innovation and quality in developing highly specialized customer applications. We are able to provide excellent service thanks to our small team of expert engineers and developers. What's more, our finances have been carefully and cautiously managed: as you can see from the figures on this slide, today the company is in good financial health with practically no debt.

However, although there are many reasons for satisfaction with the company's position, there are also a number of weaknesses which must be considered. The first, small weakness is office space. We just don't have enough. The second, more significant, weakness is costs. As this graph shows, our development costs have risen steadily, whereas market prices are falling. It is becoming increasingly difficult to maintain our profit margins. The principal explanation for these high costs is the high salaries we have to pay to attract experienced developers. A third, associated problem is recruitment: in spite of high salaries, we are finding it increasingly difficult to attract young engineers who prefer to join large international companies. This brings me to perhaps the most significant weakness, and a problem which I want to come back to in a few moments when I talk about threats, and that is our size. As a small company in a very specific niche market, we are vulnerable. If things went wrong with just a few of our big customers, we could have serious difficulties.

But before looking at the threats, let's move on to opportunities. In particular, new technologies and a changing world economy are opening up exciting ways of re-thinking our

business activities. For example, the new member states of the European Union in Eastern Europe have excellent schools and universities: their young engineers are talented, well-trained and keen to acquire experience in companies like ours. Another possibility is to do part of our development work offshore, in countries like India where labour costs are significantly lower than in Europe. Last, but certainly not least, we must look at opportunities in our own industry: competition is fierce, and a process of consolidation is under way. Many firms are forming alliances or launching takeover bids in order to exploit synergies, to make economies of scale and to diversify into new market segments. I believe these are opportunities we should not ignore, and I will be making a specific recommendation in the last part of my presentation.

So, I've talked about our strengths, our weaknesses and our opportunities. I want now to explain why one of the opportunities I have just described is also a serious threat. In the context of the consolidation I referred to earlier, Galway Software, as a small, successful, well-managed company with no debt, is a perfect target for a takeover. It is only a matter of time before a big international firm comes knocking at the door with its cheque book open. Unless we move first.

In the last part of this presentation, I am going to recommend that Galway Software should itself launch a takeover bid. There are many good reasons for this. Firstly, external growth with a reasonable amount of debt will make us less vulnerable. Secondly, a takeover will allow us to diversify into new markets, to expand our customer base and spread our risks, and to make economies of scale. And thirdly, the ideal candidate, Oranmore Video Games, is based just 20 miles away, currently has more developers than it needs, and has a lot of unused office space. I'm going to give you a handout which gives more details of why I believe we should acquire Oranmore ...

Writing slides

6 This exercise allows students to personalize the work they have done on preparing PowerPoint slides to a subject which interests them. This could be related to their work, a hobby, or another topic of interest. They could, for example, choose to plan a presentation using the information they gathered in one of the Internet searches in this unit – on Alvin Toffler; vertical integration in the drinks industry; or bulls, bears and other animals on the stock market.

7.6 Case study

Calisto

Students consider the options open to a business in trouble and make recommendations in a presentation about how to resolve them.

Internet research

An Internet search for key words “*Avis: We Try Harder*” will reveal how this car rental company took on the market dominance of its rival, Hertz, in the 1960s and through clever market repositioning and brand-building dramatically increased its profits.

Students could do this research before they begin the case study as a lead-in activity and to provide ideas for the discussion and presentation in exercise 6. Or they could do it afterwards, to provide information on a real-world case study. They could write a short report on the story behind how Avis improved its market position.

Discussion

1 Do this as a whole-class activity. Explain *EBIT* (Earnings Before Interest and Tax: a commonly used way of measuring the profitability of a company).

Get students to compare the businesses in terms of their profits, costs, sales, etc. This analysis will feed into the exercises that follow.

SUGGESTED ANSWERS:

Reysonido has lower operating costs than IMM and Calisto. Reysonido has the lowest cost of sales while IMM's are very high.

IMM has the highest sales. (etc.)


Reading

2 Read the article aloud. Ask students to guess the meanings of *meteoric*, *newcomers*, *charismatic*, *slick*, and *trumpets* from the context, before they check the meanings in the *Wordlist* on page 158 in their books. Then check answers to the questions with the whole class. Ask students to suggest what kind of advertising Dylan might have used that could be described as ‘slick’ and what kind of discounting might be called ‘aggressive’.

ANSWERS:

- 1 By using direct sales, slick marketing and aggressive discounting.
- 2 The challengers have all lost market share and several smaller players have gone out of business.
- 3 IMM is the only company which has managed to reverse the trend of falling market share.

Listening for gist

3  3:15 Get students to look at the notes before they listen to the presentation. Do the activity with the whole class. Play the recording. Pause at appropriate points to allow students to tell you, in a few words, what the options are.

See answer for exercises 3 and 4 on the next page.

RECORDING SCRIPT

 3:15

President: As you know, this year Calisto has lost one point five million dollars. Obviously this situation cannot continue.

Unless we take action now, we will go out of business next year. We have several options to consider. Our first option is to adopt the same strategy as IMM. IMM have reduced their operating expenses by 20% over the last two years. However, they have achieved this by ruthlessly cutting jobs: one fifth of IMM's staff have been made redundant. Here at Calisto we have a long tradition of looking after our staff, and I do not wish to choose this option unless there is no other alternative.

Our second option is to follow the example of our friends at Reysonido, and buy European technology which would reduce our cost of sales by 10–15%. However, we estimate that this investment would increase our operating expenses by half a million dollars a year. A third option is to cut our prices in order to increase sales. We estimate a price cut of 10% might increase next year's sales to \$16.5 million – assuming, of course, that our competitors do not reduce their prices. However, our cost of sales would increase to just under nine million dollars.


My friends, there are three more options which I have not yet discussed with you, but which I would like you to consider carefully. Option number four is a merger. IMM have offered us three million dollars, which, in view of our desperate situation, is a very reasonable offer. If we agreed to a merger with IMM, the new company would be the new market leader, and be in a far better position to compete with Dylan. However, there would no doubt be some redundancies in order to make economies of scale.

As I said at the beginning of my presentation, I will take questions at the end. Now, option five. This is a high-risk strategy, but we must consider all possible solutions. In order to compete with Dylan, we need to be bigger; one way to obtain that critical size is by acquisition. Our fifth option is to acquire Reysonido.

Reysonido are likely to accept a takeover bid of around four million dollars. As well as synergy and economies of scale, this acquisition would also give us another bonus: access to the technology which means Reysonido's cost of sales is 10% lower than our own. Of course, we would need to borrow the money, and the repayments would represent around half a million dollars per year over ten years: not so unrealistic with combined sales of 25 million, I believe. The final option is one which I sincerely hope you will not choose. That is, to close the company, and sell off our assets to pay our debts. I have kept it until last in order to stress that it is a serious option.

All right, I'm sure you are anxious to ask questions. After that, I would like us to consider all the options in detail; everybody's contributions will be valuable. Thank you.

Listening for detail

4 Play  3:15 again while students complete the notes. Check answers by getting students to form complete sentences, using a combination of their own words and the words they heard in the presentation, e.g. *Our first option is to cut jobs. IMM has adopted the same strategy. This would reduce our operating costs by 20%. This will be useful practice for the discussion activity in exercise 5.*

ANSWERS:

Exercises 3 and 4

Options	Notes
1 cut jobs	<ul style="list-style-type: none"> - same strategy as IMM - would reduce operating expenses by 20%
2 buy technology	<ul style="list-style-type: none"> - same strategy as Reysonido - would reduce production costs by 10–15% - would increase operating expenses by \$0.5M per year
3 cut prices 10%	<ul style="list-style-type: none"> - next year's sales: \$16.5M - cost of sales would increase to just under \$9M
4 merge with IMM	<ul style="list-style-type: none"> - price: \$3M - advantages: the new company would be the new market leader - disadvantages: some redundancies
5 acquire Reysonido	<ul style="list-style-type: none"> - price: around four million dollars - bonus: access to technology, cost of sales 10% lower - repayments: \$0.5M per year over ten years - combined sales: \$25M
6 close the company	<ul style="list-style-type: none"> - sell off our assets to pay debts

Discussion and presentation

5 Read the instructions with the whole class. Remind students of the work they have done in previous modules that will help them here, e.g. the vocabulary work in 7.2, future forms and expressing likelihood in 7.3, presentations in modules 7.4 and 7.5.

Set a time limit for the presentations, e.g. 5 minutes, so that each group has the same amount of time.

Circulate while students are working and assist where necessary.

When students are assessing which is the best presentation, they could use following criteria, which you could write up on the board as a checklist:

Did the speakers present their information in a clear, structured way?

Did the slides follow the guidelines given in section 5?

Did the speakers support their arguments in a convincing way?

Students could also add their own criteria, if they wish.

FURTHER PRACTICE

For homework, students can use the presentation in exercise 3 for further practice in preparing presentation slides (see module 7.5, exercises 4 and 5).