

Series 4 Examination 2010

ENGLISH FOR BUSINESS

Level 4

Thursday 18 November

Subject Code: 4041

Time allowed: **2 hours 30 minutes**

INSTRUCTIONS FOR CANDIDATES

- Answer **all 4** questions.
- All questions carry equal marks.
- All answers should be correctly numbered, but do not need to be in numerical order.
- Adequate and appropriate communication is more important than a particular number of words.
- Check your work carefully.
- You may use an English or bilingual dictionary.

QUESTION 1

(a) Read the following article and then **answer the questions** that follow.

Friends for life

One recent evening, the most powerful man in the world posed the following question to those around him. "If there's a blue pill and a red pill, and the blue pill is half the price of the red pill and works just as well, why not pay half the price for the thing that's going to make you well?" Thus Barack Obama captured one of two powerful global trends forcing pharmaceutical giants to look for a new business model.

Cost-conscious governments everywhere are bashing pricey patented drugs while at the same time boosting cheap generics, i.e. drugs whose original patent has expired. In the past few weeks regulators in America and the European Union have announced separate crack-downs on anti-competitive practices, including "pay-for-delay" deals, whereby big drugmakers pay generics firms to delay the launch of competitors to drugs coming off patent. From Japan to Germany, governments are liberalising drug markets, sweeping away barriers to generics.

The pressure from above comes just as the bottom is falling out of the market for patented drugs. A record number of drug patents expire over the next few years, which should lead to stiff competition from generics and a collapse in prices. Evaluate Pharma, an industry consultancy, estimates that about half of the \$383 billion-worth of patented drugs to be sold in the world this year will lose patent protection within five years. In 2010 alone the industry will see nearly 15% of its revenue from patented drugs put at risk. Where competition from unbranded generics is fiercest, for instance, in America, the price of a given drug falls by more than 85% within a year of patent expiry.

Big drug firms used to turn their noses up at the generics business, but the assault on their profits has forced them to think again. In many rich countries and most poor ones, they are managing to avoid calamitous drops in revenue by peddling "branded" (but not patented) versions of their original drugs for higher prices than unbranded generic equivalents. Illogical though it may seem, such is the power of brand loyalty and inertia among doctors and patients that these branded generics often help the firm losing the patent retain half or more of the market, in value terms, even after generic competition is legally permitted.

Several pharmaceutical companies have gone further and bought generic-making rivals. That can speed up a move into branded generics. But most important, it helps drug giants gain better access to emerging markets - one of the few bright spots in an otherwise bleak outlook for the industry. Jeff George, head of Sandoz, a large generics firm owned by Novartis, a Swiss drugmaker, is convinced that the lure of those growing markets is unleashing an "entirely new dynamic". According to IMS Health, another consultancy, the seven biggest emerging markets will account for more than half of the industry's total sales growth this year. By 2012, it reckons, nine of the top 20 markets will be emerging economies.

Most big Western firms are already present in these countries, selling their patented products. But that is not enough, argues Satish Reddy, chief operating officer of Dr Reddy's Laboratories, an Indian generics firm. The real action now is branded generics, which command a premium in many emerging markets due in part to the fear that unknown products might be fake or of dubious quality. He argues that by joining with local generics firms, multinationals can get "cheap access to the middle classes" in these markets.

His arguments were well received by GlaxoSmithKline (GSK), a British drug giant, which struck a deal in June, to have Dr Reddy's make a portfolio of inexpensive drugs that GSK will sell as branded generics in the many countries in which it already has a sales force. David Simmons, from another huge drug company, Pfizer, even says that "generics are not the enemy of innovative pharma any longer". Rather, he insists, firms once derided as copycats should be seen as essential allies in entering new markets. Governments will surely continue to turn the screws on drug prices. Even so, argues Charles-Andre Brouwers of the Boston Consulting Group, drug firms need not despair. In many parts of the world consumers pay for drugs at least partly out of their own pockets, rather than being subsidised by the state or having an insurer bear the cost. He reckons that their brand loyalty - or laziness - is something drug marketers can tap to keep a premium in their prices. As he puts it: "The secret about the industry is that patients taking a red pill don't really like switching to a blue pill."

Adapted from an article in The Economist 08/08/2009

QUESTION 1 CONTINUED

Give precise answers to the following questions using your own words. You will be given credit for correct English.

1. Which of the following is the best summary of the article?
 - (a) Pharmaceutical companies are continuing to refuse to deal with producers of generic drugs.
 - (b) The production of generic drugs is likely to lead to a collapse in the business of the major pharmaceutical companies.
 - (c) There will be an increasingly close relationship between the major drug companies and generic producers.

(1 mark)
2. What do the 'red pill' and the 'blue pill' represent and why is it that people will not always choose the blue pill?

(2 marks)
3. Which steps are governments taking in relation to the prices of patented and generic drugs?

(2 marks)
4. What situation are manufacturers of patented drugs facing in the next few years? What is the main reason for this?

(2 marks)
5. How can drugs which lose their patent still hold on to a good share of the market? What makes this situation possible?

(2 marks)
6. In which two ways does the purchase of a generic drug firm help the major drug companies to hold and potentially expand their markets?

(2 marks)
7. What inhibits sales of unbranded generic drugs?

(1 mark)
8. Explain, in your own words, the following phrases as they are used in the article.
 - (i) "the bottom is falling out of the market" (Para 3)
 - (ii) "firms used to turn their noses up" (Para 4)
 - (iii) "Governments will continue to turn the screws" (Para 7)

(3 marks)

(15 marks)

(b)

Situation

You work in the Marketing Department of a large pharmaceutical firm. You have been asked to research what attitude your company should take to companies which produce generic drugs, given likely developments in the world drug market.

Task

Write a memo to the Marketing Manager summarising the results of your research. Basing your information on the article, indicate future developments in the world drugs market. Also describe the alternative strategies for dealing with the situation when drugs lose their patents, and refer to the benefits of these strategies.

(10 marks)

(Total 25 marks)

QUESTION 2

(a)

Situation

You are the Finance Director of a bank, Nordcredit, (address: 4 Riverside, Canary Wharf, London, SE1 2AW), which employs 4000 staff. Because of the credit crisis, and the heavy losses resulting from it, your bank is going to have to restructure, making some of the workforce redundant.

At a meeting of the Finance Committee, various options are discussed for deciding how this can be achieved. Notes relating to each of the options are given below. Option number 2 was the system finally chosen, although any requests from staff for voluntary redundancy will be considered first, although not necessarily accepted if the persons in question are considered valuable employees.

OPTION 1. Voluntary redundancy and early retirement -

Positives: people choose to leave; less negative publicity; staff morale less damaged

Negatives: good people may want to leave; the redundancy package to be offered will not be great so probably not many 'takers'

OPTION 2. Closing of smaller branches (i.e. those with fewer than 20 employees) -

Positives: largest cost savings; might encourage use of bank's online service;

employees can apply for some new posts created at head office

Negatives: bad publicity as customers lose access; some employees can't apply for new posts because can't relocate

OPTION 3. Reduced hour contracts for staff, e.g. job sharing, part-time work -

Positives: fewer or no redundancies; re-enforce loyalty to company; trained staff available when business picks up

Negatives: increased administrative costs; tiredness of staff as they do other jobs to maintain salary

OPTION 4. Last in and first out -

Positives: automatic system so cheaper and less time-consuming to apply; seems fair because no discretion involved

Negatives: very good employees who joined recently are lost; no management input about redundancy decisions

Task

Write a memo to the Board of Directors summarising the discussion regarding the various options and explaining the decision to choose Option 2.

(12½ marks)

(b) The Board of Directors accepts the Finance Committee's recommendation regarding the system for choosing who will be made redundant.

Task

Write a letter, which will be sent personally to each member of staff (in this case it is being sent to Francesca Santos, 9 Bridge St, Chelsea, London SW1 2QW), explaining why redundancies are necessary and the system which has been chosen to implement those redundancies. Indicate that individuals from branches affected by closure will be able to apply for the new positions being created at head office. Also describe any assistance the company will give to those finally being made redundant. Finally, express the company's belief that its actions will ensure a secure future. Set out your letter appropriately but assume it is written on company headed paper.

(12½ marks)

(Total 25 marks)

QUESTION 3

(a)

Situation

You work in the Human Resources Department of a large European company. Your firm has recently been taken over by a Japanese company which now depends on foreign markets for most of its sales. You have been asked to provide some background information about Japanese business practices to assist senior managers who will soon be posted to Japan.

Task

Basing your information on the article below called "Japan Inc faces test of culture gap" **write a memo** to the Head of the Human Resources Department outlining the main differences in business culture which the senior executives of your company will face in Japan. Also indicate what changes these senior executives may have to make in their life styles. Finally, point out why it is important for the Japanese company to integrate foreign managers successfully.

"Japan Inc faces test of culture gap"

Nippon Sheet Glass has not ruled out appointing another foreigner in its search to replace Stuart Chambers, the British chief executive who unexpectedly resigned on Wednesday, the company said yesterday.

While Mr Chambers stepped down for personal reasons, his status as one of the few foreigners at the top of a large Japanese corporation has concentrated attention on the difficulties of combining Japanese and Western business cultures.

"I think many Japanese people, particularly the classic salary man, put the company first and maybe the family second. I don't say there's anything wrong with that - but in my case, I'm not able to do that," Mr Chambers said.

Mr Chambers, who ran the UK-based glassmaker Pilkington before NSG's £2,200m takeover in 2006, has been in the top job in Tokyo for a little more than a year - but his family remained in Britain. NSG said the resignation did not reflect business differences and it remains committed to Mr Chambers' restructuring programme.

One person who deals with NSG said Mr Chambers had made good progress in uniting its two cultures and his departure was not due to national divisions within the company.

Mr Chambers' decision to step down, however, and the sometimes rocky ride experienced by other foreign chief executives - such as Carlos Ghosn at Nissan and Sir Howard Stringer at Sony - emphasise the general difference in business life that exists between Japan and other regions, especially Europe.

To bridge that gap has become crucial for corporate Japan as it seeks to escape a stagnant domestic market by expanding abroad.

Ability to integrate foreign acquisitions is under scrutiny at companies such as Daiichi Sankyo, the drug company that last year acquired Ranbaxy of India, and Nomura Securities, which bought into the very different culture of Lehman Brothers.

One of Mr Chambers' early actions at NSG was to order senior staff to double their holidays from an average of fewer than five days a year - a measure he said was needed in order to avoid putting off the non-Japanese staff who, following the Pilkington acquisition, now make up most of NSG's global workforce.

QUESTION 3 CONTINUED ON NEXT PAGE

QUESTION 3 CONTINUED

To work long hours and turn down holidays still forms a routine part of Japanese corporate life. Compulsory transfers to remote offices or countries - which can mean long separations from family - are also a feature of life at many companies.

Such expectations can cause trouble for foreigners at the top. Sir Howard, for example, whose family is also in the UK, is often attacked by the Japanese media for his perceived failure to spend enough time in Sony's Tokyo head office.

For NSG, however, which is wrestling with a severe downturn in demand for automotive glass by carmakers, a failure to work with overseas operations that dwarf its business at home is simply not an option.

(12½ marks)

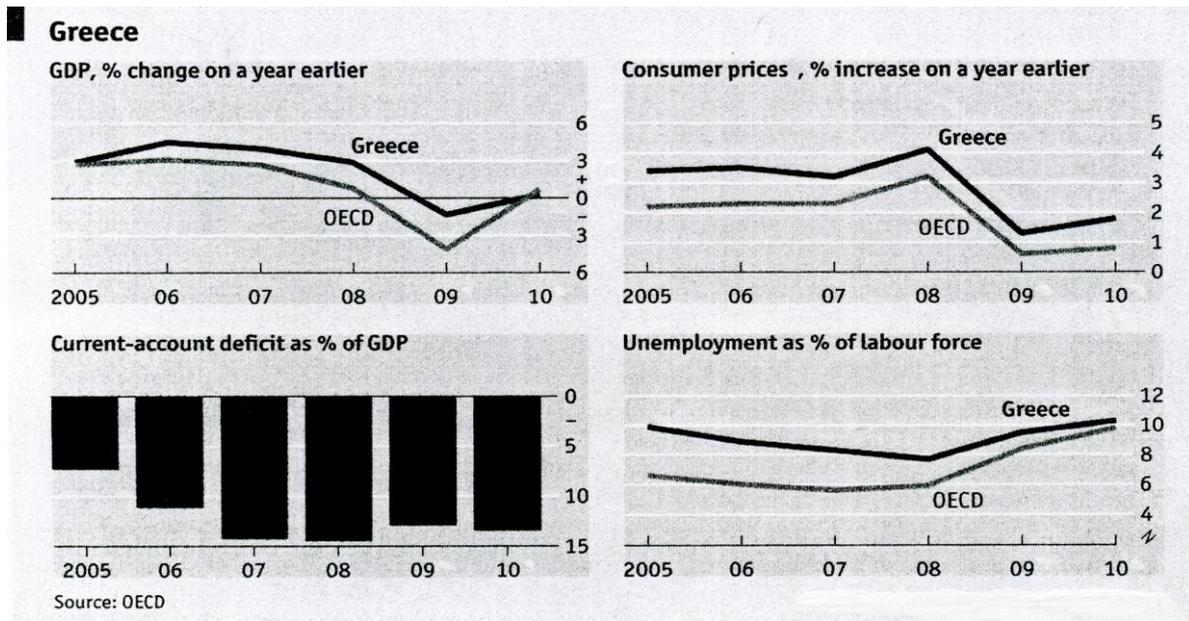
(b)

Situation

You work for a research institute which provides economic information for governments, companies and individuals.

Task

You have been asked to **write a short report** about the Greek economy. Basing your information on the four graphs below, summarize developments in that country over the five years shown. Also indicate any factors which make the Greek economy look favourable or unfavourable for investment by foreign companies or individuals.



Note 1: The OECD line on the graphs shows the comparable average for countries in the Organisation for Economic Cooperation and Development which are Western developed economies.

Note 2: 'Current-account deficit' means the difference between the value of imports and exports of a country. If this figure is negative, imports are larger than exports.

(12½ marks)

(Total 25 marks)

QUESTION 4

Complete the following texts in an appropriate way, according to the situation, and using your own ideas. The list of possible areas of content is for guidance only; you may, if you wish, deal with some or all of the areas, but you can use others if you prefer.

(a)

Situation

You work in the Marketing Department of an insurance company. The home and contents insurance policy of one of the clients of your company is coming up for renewal.

Task

Write a letter to the client, Jorge Ramirez, reminding him that his insurance is due for renewal and indicating why he should insure again with your company. Use an appropriate letter layout but assume you are writing on headed paper.

Possible Areas of Content

- thanks for previous business
- reasons for renewing with your company
- comparison with offers of other companies
- additional discounts for loyal customers
- generous credit terms for payment

Begin your answer as follows:

(Appropriate invented address)

Dear Mr Ramirez

I am writing to you to remind you that your home and contents insurance policy with our company will soon need renewing.

(12½ marks)

Question 4b continues overleaf.

QUESTION 4 CONTINUED

(b)

Situation

You work for a company, Knowall, which organises networking events. The events take the form of a well-known guest speaker followed by a dinner. The events are held in high-class hotels where overnight accommodation is available if required.

Task

Write promotional paragraphs for inclusion in the brochure which will advertise the next event to be organised by your company. Provide a suitable heading.

Possible Areas of Content

- nature of your company (i.e. Knowall)
- details of forthcoming event (e.g. speaker, location etc.)
- likely nature of those attending
- benefits of the event to those attending
- follow-up services provided by Knowall

Begin your answer as follows:

[Insert suitable heading here]

If you want to meet those business people who are really 'movers and shakers' then we at Knowall are the ones who can help you.

(12½ marks)

(Total 25 marks)