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The Discourse of Academic Seminars: Structures and Strategies of Interaction

Volume 2

Helen Louise Basturkmen

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## List of Transcription Devices

S student

S1 S2 S3 student 1, student two, student three, etc.

Ss two or more unidentified students

T tutor

P presenter

P1 P2 P3 presenter 1, presenter 2, presenter three, etc.

\\ indicates where a speaker successfully takes a turn from another before completion and overlap begins. Overlapping parts are presented as parallel to each other.

example 1

S1 That's what we're trying to do \\

T \\ Right and what was the reason for this?

example 2

S1 That's what we're trying \\ to do

T \\ Right and what was the reason for this

{ marks turns that start simultaneously

+ noticeable pauses. If the pause occurs between turns, the symbol is placed at the end of the speaker's turn preceding the pause.

(xxx) fragments that were too acoustically poor for transcription.

(T Hm) (T Yes) (P Right) Back-channelling devices that are given during another speaker's turn. The words used are recorded and also the identity of the speaker. For example, (P Right) the presenter says "right."

(S1 What I think is) Fragments representing unsuccessful attempts to take the floor. These unsuccessful attempts are shown within brackets at the place where they start. The speaker's turn which subject to the unsuccessful attempt to take the floor continues after the words of the attempt are recorded although they in fact co-occur in time.

===== indicates that the text continues or preceded transcription. For example, following transcribed text, this symbol is used to indicate the cut-off point for transcription. At the beginning of a text, this symbol indicates prior text that was not transcribed, e.g. the presentation before the discussion section starts.

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## Subgenre A: Discussions Following the Presentations by Outside Presenters

Text 1

Approx no words: 2030

Partial text: beginning

Tapes 1: 0-11.58

P == You had a question

T Actually you focused on the role of the company was actually the role developed with the European market in view or was it specifically developed first for for UK

P Erm I think it's fair to say that in the early 80's we were very much UK dominated and we eh had been developing products for the UK by the time we came to developing Rover 200 which of course is in collaboration with Honda as well um we were we were looking to a European European Market not to the extent that we look today a total European market but certainly taking into account the European market by the time we came to marketing it we were definitely looking at a pan European strategy

S1 What was the competition doing in its eh advertising policy was that taking in exactly the same stance as you were taking

P I don't think I mean to be honest I've not been that close to the advertising certainly going back 3 or 4 years but I don't think this pan European approach is really very common in the motor industry at the moment

S1 Well who would you identify as your competition who one competitor that you would identify in Europe

P For Rover 200

S1 Yes

P Well it would be cars like the Golf the Astra like the BMW 3 series the the stronger more premium medium sized cars more so perhaps than things like the Escort certainly abroad

S1 Were you not re-inventing the wheel if you'd looked at what they were doing presumably you did look what the opposition was you said so (P Hm) how they were operating on a European basis (P Hm) and if they were doing it on a European basis would that not have saved you some leg work said they're successful

P Oh well I mean I presented this as can we or can't we do Pan European work I mean the whole project in fact was to say initially can we but whatever we found out we were going to end up producing a communication strategy and advertising strategy for the car so at the end of the day we were able to attempt very strongly to produce a common one in fact on a European basis all the work was required anyway whether we ended up deciding we could not do pan European marketing or not so we're you know not we're not trying to re-invent wheels and waste a lot of time doing that

S2 Can I ask um how much more successful the recent new range of 200 400 and 800's has been and have you got an indication of the sales it seems to a lay person such as myself to be significantly better than anything Rover have ever produced \ \ which is

P \ \ Yes if I answer it in terms of consumer research rather than sales and sales volumes are there for all of us to see anyway yes I mean the satisfaction levels of owners the new range of products starting with the 200 are much much than they were in the earlier years the images among non owners as well as owners are also much much stronger so really the change to Rover and then supporting that through the new product line has been has been very positively received

S2 And and what have you done in Europe with these new cars have you done similar to what you did with the original 200 range in the 1980's I mean in terms of the pan European approach \ \ and I mean

P \ \ So you mean what have we done \ \ we've sold

S2 \ \ Well I mean has it been followed through have you continued to be pan European

P Oh yes I mean we are literally next week going out and researching an advertising campaign for one of our models and we're setting up market research in a number of European markets and that will be all brought back in and evaluated as a pan European approach to say can we put a single execution together which we will obviously be putting on loan checkers but the basic expensive part of it shooting the film for instance for a TV ad we will be treating on a Pan European basis

S3 Just out of interest on building the rover mark which you were putting emphasis right at eh beginning of the talk what effect did the fact that the vehicle was a Japanese derivative have on the difficulty you must have had evaluating that Rover that traditional English mark was there not a conflict at all there that the that the consumers will perceive it

P Not really Eh I mean it is not a Japanese vehicle it is a vehicle which is being developed in collaboration with Honda that particularly ok the basic body shape of the 200 and the Concerto is the same beyond that though when you when you get to what differentiates eh cosmetic level if you like the exterior treatment the interior finish and fit there is big differences and all the way through at that marketing end we are completely separate Rover and Honda I think it's fair to say actually knowing there was a Honda engine inside the cars certainly initially was only to our advantage while knowing there was Honda engineering behind it was our advantage while as I said the image value of buying a product is really so important in the new car market and Rover does have much more going for it in certain respects than other marks and the sort of person who buys a Rover buys it for certain reasons and they probably wouldn't buy a Honda because Honda says something completely different so the fact that there was a Japanese connection is not causing a problem at all in trying to promote the Rover product eh someone at the back

S4 Yes eh your your pan European advertising policy then has it been to so to take say a video shot in UK and then dub it into various languages is that it or how is your strategy been what have you actually done

P Right if we shot a film in UK and then tried to dub it into European languages that's what our marketing manager would have me call marketing for Warwickshire that's what they didn't like no the whole point is to start with the research program which gets gets say one well probably 2 or 3 different advertising concepts together and then test those concepts in equal measure across 4 or 5 European markets one of which would almost certainly be UK review all the findings from that and then decide whether we have in one of those campaigns got something that can be shot and run throughout Europe it would then be shot wherever if you know advertising agencies it's never down the road in UK it's somewhere where it's going to cost you a fortune to go and do it in the sunshine and be cut together as a UK version a French version a German version

S4 So what we see on our TVs as advertising Rover cars the Rover 200 is it the same as that is shown throughout the rest of Europe

P Very similar yes yes and the press as well we shouldn't just be quoting TV Press ads and so forth as well doesn't always work eh I think part of what I tried to say at the end there actually although the communication strategy can be the same people can be wanting the same things you can offer them the same product benefits when you actually get the communication the advertising itself together people react in different ways and the most noticeably different we find at the moment are the French where it's very difficult to find an ad which can meet everyone else's requirements and still meet eh French they seem to have a different sort of culture when it comes to being advertised to receiving sorry yeh

S6 I was going to ask you something about the similarities and differences you pointed out toward the end don't you think you're falling into the danger of assuming that in the future similarities are going to be a lot more and differences are going to nullify themselves I mean Europe 1992 is here but that's politics and economics but when it comes down to the culture that's still going to be very different across Europe

P Yeh I mean already where we stand we can take a pan European approach certainly from a strategy level and as I say maybe you need more than one execution um I think it maybe slow rather than fast but it is almost inevitable that the world is getting smaller that Europe is getting smaller quite smaller in terms of cross cultural mix and I know any French person in particular would probably put a knife in my back when I walk out the door very patriotic the French so are other nations as well um I'm not suggesting for a minute that that everyone throughout Europe is going going to be the same but I think things are likely more likely to become more similar than become more different so if there's any movement it's going to help this cause rather than hinder it

S7 Do you think than the North American and Japanese markets will ever fully integrate with the European way of thinking or vice versa do you think things will start to meet

P In what respect

S7 In customer needs in product needs in car needs

P Right if I take the American market which is somewhere where I've done a fair bit of research um again a lot of basic needs are the same wherever you go I mean cars offer basic functions but um on the image side from our point of view what we're offering America is Britishness and Britishness has a very strong pull over there if you can get it right for a niche market eh but in general terms what they're looking for in US is a different sort of motor isn't it I mean they've still got economically cheaper petrol the cars over there are actually half the price they are here you'll pay the same in dollars as in pounds in UK it is much more difficult to get in the US market I mean I don't know if you're aware that our company has tried on the car side and we've pulled out now

S7 Are you thinking of going back in um because it strikes me that just at a time when you're getting your products right you just well you pulled out a couple of months ago and especially the 800 coupe was tailor-made for the UK US market and it's all over Is that \ something

P \ Yeah there are no plans at eh moment in taking cars back we have pulled out But you're right when the coupe was put together it was largely put together with a strong part of the reason for doing it was the US market and yes it's a great shame but purely in terms of commercial realities you know we were losing a lot of money in the States and so it just didn't pay us to stay there we're not the only people to have pulled out in the last year or so either

S8 You've got some really good products now How are they doing in Europe

P How are they doing (S8 Hmm) selling a lot better than the old ones we have a much smaller player in some of the European markets than in UK we're talking 1 or 2% in some markets in Europe so in relative terms we're doing well we are growing in I say image terms people are more aware of us and we're getting better imagery and people who are buying our products are are much more satisfied than they used to be so nothing happens overnight but it's it's all moving the right way the Rover 200 for example we had our European management screaming at us for the last 9 months that we just couldn't supply them enough cars because we had a priority on the UK market we couldn't supply them with enough cars for the demand they had so that didn't happen in the past with Maestros and Montegos

T Can I interrupt you there =====

Text 2

Approx. no words: 2940

Partial text (beginning)

Tape 1: 12 -31.09

P Thank you very much for listening to me I hope I've taught you something and I'll listen to any questions you may have yeah

S1 You say the management team often involved a number of employees how does it complicate things and eh

P Involve involve in the get a slice of the action you mean

S1 Yeah key employees

P Yup you can have businesses where they employ hundreds and hundreds of people and the investors are only two or three management you can have businesses where they employ few people and they're all involved eh I did a buy-out of a building company in a house building company for 30 odd million pounds a year ago and he wanted all the key men all of his foremen on his building sites to invest a thousand pounds here and 500 there and the schedules of shareholders at the end of the document was oh 200 It's very administratively difficult it's not at all difficult from a legal point of view instead of having four names and addresses of that share capital I talked about you have two or three hundred they have got to understand of course that that is risk employees like to think I work very hard and for some reason this 1000 is going to become 10000 and that's the end of the matter they see it like putting money on in the Halifax Building Society it is risk capital they've got to have that explained to them they're also of course locked in you can't have you can't have every every time someone gets fed up and wants to buy a bigger house thinking well I'll sell my shares in my employer it's not like having a share option scheme at British Telecom you're in for good you're in till you get out you might have a leaving if you leave employment you might have a provision where they can be surrendered back to the company or surrendered to another member of the MBO team but it often happens and I would subscribe it's a good thing because you do get the people feeling it's their business and they're going to work harder and they're going to be more efficient and more keen just beware that if you let the ratio in that ordinary class of share go again the major management if you have so many of them that 2 or 3 managers have under 51% of just that small class of share well they've got big problems because they can't then run the business as they wish and indeed the financial institution wouldn't want them to do that because they want to deal with the guys who are making the decisions but it happens it happens often I think so I think it's not a bad idea but they've got to understand it's risk

S1 So how long are these people locked in the company if someone want to make an exit and he's part of the management team (P Yeah) after two years (P Yeah) does he make a clause in the agreement or would it \ be

P \ He can't

S1 He can't

P Do you mean a guy who's got a thousand pounds of shares says I want to sell this company or do you mean he says I want to sell my shares

S1 No one on of the key members

P Key members yeah

S1 Key members for some reason he wants to make an exit after two years

P Right does he want to make his company to or does he want to

S1 He wants to \ go

P \ He wants to go right then he would come to he would say I want to sell my shares and he would serve a notice on the other members of the management team and say buy me and they may say yeah at one pound a share and he'll say oh no no five pounds a share and there may in the articles of association be a provision where it says you can go off to an accountant for arbitration as to what the true value is or they may have the right if it is drafted heavily in favour of continuity they may say no I'm sorry it's 5 pounds or you're locked in or he may be able to go at a pound if you mean can he procure a sale of the business exit route for new c.o. a good example is Paul Judgitt Premier Brands when they bought Smash they did Cadbury Shweppes' MBO and they bought the people like Smash the the mashed potato that was one of the brands they bought they bought loads of them and that was a very successful MBO and when there was an offer that in inverted commas they couldn't refuse 2 or 3 years later and he was the lead I mean the lead man but the other key members of the MBO team said we want to go we'll realise investment and sell new co he said no no no we'll hang on wait another couple of years and float it and sell for more money but he was out-voted and of course at the end of the day if you've got a disenchanted management team it's death so he sold against his own wishes he sold but that's just an exit route for the venture as opposed to just one guy

S2 Um obviously all this institutional support for the risk that they're taking is going to be rather expensive and that's going to have to be serviced out of increased efficiency in the years to come (P Yep) I mean I suppose we could all imagine various types of ways in which this matter could but I wondered if in your personal experience you could point to any particular types of pattern

P A pattern of

S2 Eh the motivation for it and the future development of the business in fact in other words a pattern of where the increased efficiency actually comes from

P Right um yes you must remember the first the first thing that happens is that there is not a draining of the cash resource from the business by vendor PLC I mean it's been running it as its own entity it been voting at management charges it's been voting at dividends it's probably been asking this subsidiary to trade with other members of the group at less than arms length

prices it has been part of a huge group it's been not an arms length third party deal so there's quite a lot of saving there there is certainly the application of management in a more efficient and motivated way they work harder they probably save a salary or two very shortly there are often disposables to be made where they will buy some of the assets will be valued at book value freehold land can be valued at what it was bought at 10 years ago and it can be sold within 6 months at 5 times the value that often happens so you may say why doesn't the vendor PLC do it

S2 What I was really looking for is some kind of comment not on the sort of capital value of what they've bought or anything like that but the way in which they've had to put together a future business plan I mean do these types of things fall into any kind of coherent (P Yes) plan at all

P I mean they will be in the business plan there will be a statement which says the site at such and such a place will be sold and that will save an overhead of so many jobs which we made redundant the plant and machinery will be moved to another site where the customers will be looked after and we'll sell the land which is in the books and we're paying a million pounds for it and it's worth 5 million for the building and on that basis in month 3 the cash flow will be this and it'll be that and by the year end we'll have made this much more profit

S2 But there is no kind of general list of six typical motivations how they expect to make it pay

P No I mean I should think if I gave you a list of thirty MBO's you'd find (tape break & rest of response incomplete and not transcribed) sorry I cut you short

S3 How can you do some of these things confidentially if you've got to go to the shareholders for the agreement

P Well no by the time you go to the shareholders for the vendor PLC to consent to the agreement you've gone public I mean from the inception of the idea to that day you keep it very very quiet for two reasons not only things like employees and customers and suppliers but also of course if you've got a vendor PLC it's priceless information I mean if you tell the world you're insider dealing because it'll have an effect on the share price once you've gone that on it the only thing you've got at risk is the shareholders of PLC will say I will not do this deal and I have to say the times when the shareholders of a public company refuse to do the deal at an extraordinary public meeting in 10 years you can count on one hand it doesn't happen the one just behind

S4 Hm how would it differ between a sort of eh public limited company a private company and a public authority of some sort when the management buy out is a public authority or some function of a public authority I mean things like NHS (P Yeah) cleaning contracts are currently being bought out by management

P Well the well publicised ones are the the refuse collectors all round the country they've privatised that really which is an MBO the concept is just the same I've just done one Actually just finished it I obviously can't tell you where but it was in the health service and it wasn't in the Midlands either but that was the administrative and information technology concept of an

area health authority now what the business was was clearly the collection input analysis and dissemination of information and it was being done by very clever people who were not appreciated and were being paid health service rates whereas the private sector at IBM or whatever or ICL or whatever they could be making a fortune so what the idea was that you took those assets and the contract in inverted commas which was these various subsidiary health areas every week bunging in all this information and you moved it as assets to a limited company as assets of a limited company in return for which the limited company had to promise to do certain things there wasn't a purchase although there could have been but there wasn't but they promised to provide service for so many years at a discounted price or take over a load of employees and promise they won't sack them which is just like a purchase price isn't it a over-manned business or those examples in 1 or 2 cases may not be reality or they would not have the freehold premises they would have to go and buy their premises somewhere else leaving the health authority with the land which could be sold off for building land and they could make some money and newco could go out and find his own premises and pay for them which again is a form of purchase price and then the management subscribe in just the same way and the health service sells it to them so the concept is the same but the entity tends to be service contracts not assets it does tend it tends to be the right to provide a service a right a right to provide a service to have a contract from somebody not forty seven machines and plant and cars and that sort of thing

S4 If it were plant buildings machinery etceteras presumably it wouldn't be any different in concept from (P Not at all) the one you described

P The one thing that the health authorities or the local authorities or the a good example are the refuse collectors the bus people when they did it that's another good example the one thing they are worried sick about is the attitude of the unions and they don't want to strike and the unions get involved so the unions have to make are very anxious to ensure is that one there are no job losses and two that everyone right down to the second dustbin emptier twice removed on his father's side all have a share in the equity so that the 2 little bright sparks who had the idea don't get it all and I'll be careful what I say here and at times that can be a very delicate thing to negotiate and they don't quite understand you are speaking you know the building foreman can be involved yes but what people sheltered by the public tend not to appreciate is that yes you can get the reward but you can certainly carry the risk but you do find the attitudes a bit more difficult because they don't quite get on board the entrepreneurial style of it Remember with management buy-outs you get one bright spark who's this driving energetic guy who's going to go wallop there's the flag follow me but you do get the solid people who are around and they've got to be there the FD the ops man and all that they don't tend to be up front all singing and dancing guys they tend to be very sensible non risk taking people who are not entrepreneurs and they come out of it very well but they are you have an awful lot of those people as well as the don't go away with the idea that all MBOs are full of Richard Bransons because they're not + sir

S5 What I'm interested in is when you actually first approach the eh vendor and you say effectively hadn't you better the business that I've been running on your behalf I could win (P Yeah) I'll go it alone when would the vendor or how many instances do you get the vendor actually turn round and say I'll increase your salary and I'll do this that and the other you stay in the business and you reap the benefits for me \\ or

P

\\ How often do you get that

S5 Yeah that sort \\ of

P

\\ You often get a letter saying you're fired (S5 Well) quite often

S5 A high percentage I mean

P I would say of approaches to vendors where the vendor doesn't want to sell he hasn't instigated the idea he might eventually be persuaded to sell because he can see why and all the rest but at the start he didn't actually instigate the idea I would say the percentage of vendors that end up persuading management to stay or fire them on the spot is fifty per cent

S5 I see It's a hell of a risk to take

P Yes it's a worrying time

S5 But of the fifty per cent that are successful getting through that stage do you find many more where the management say right take the perspective purchaser's ideas and turn them about but keep it in the house and give the management team some other form of incentive to go ahead and run the business in \\ in

P

\\Very rarely and the reason is that if the vendor PLC is known to be providing the widget maker team with bags of incentive share option schemes and all sorts of things to carry on he's going to have every other subsidiary he owns coming remonstrating and saying give me the same thing and it's better to sell or fire the management or put new management in

S6 Say the vendor would agree with this how many times do you see problems raising the capital or is capital freely lent

P There's a problem raising the capital virtually every single time what the problem is and whether it's fundamental is different um your approach will usually be to an accountant or to a lawyer and I would like to think that I or any of my partners at (company name) wouldn't take you to see a VI unless we actually thought you were already it was doable and we would more than likely have taken you to an accountant before we took you to a venture capitalist B.D.C.I. or whatever we would normally take you to an accountant and just run the figures through once because if you get a reputation the business for being good at what you do you don't waste other people's time and therefore by the time it gets to the venture capitalist I'm not saying they'll do it I'm sure someone like VI will tell you they turn away more than they do but at the end of the day it's not wasted their time at least it was considered a goer the reasons why they may turn it down would be the market is poor I mean at the moment you don't really want to be in making the widget that goes at the top of the cruise missile that's going to bomb Moscow do you I mean it's not exactly the market to be in at the moment ballot boxes in Romania that's probably a good market you probably don't want to go in where you lever the whole lot up on debt at a time when you're paying 15 16% and if your gross margin is 14% you've got a big problem so they're going to be saying no for reasons like that they might say no because this guy who's running the subsidiary is a very good company man he's

vibrant and allright in the company umbrella but we've got doubts about his errors his judgement he might make errors when he's out on his own he might say you need yeah it's a goer a good example would be an airline or a vehicle operator of some sort capital intensive where it needs money it could work but it needs an awful lot of money it's a capital intensive business and at the moment that ain't on because we haven't got the money because our budget this year we're not into airlines we're not into widget makers so then you have to run round and find a venture capitalist that's into airlines

S7 Do you think is the management ==

Text 3

Approx no words: 2560

Tape 1: 31. 11 - 48.30

Presentations ends. Small monologue by tutor thanking speaker and introducing the question answer period

Break in tape

P Yes

S1 You said earlier that you eh shied away from taking on debt in the early years of the business and you said also that some of the shareholding had been taken up by the by the institution does that mean to say that if you could perhaps do things again that you would not not sought equity equity finance but offered the shareholding to the workforce and perhaps taken on some kind of debt financing

P The short answer is no um the one thing I regret and people always say what would you do differently if you had your time again and like most things you do the best you can in the knowledge you have in the circumstances and generally I tend not to look back and think wish I'd done the one thing I wish I had had the sense to do was bring in financial skills earlier in the business we did not have a finance director until 1985 with the result that my ability to manage the business financially was very very simple which kept me on good track I was managing with cash rather than with anything else it was safe and I mean we could have grown much faster had we had those skills on board when the institution of investors came in I everyone said you'll hate it'll be awful must you do it you know it's wrong for you wrong for the company there wasn't very much choice or so it seemed at the time in fact it was I did not find it difficult I found the disciplines that they wanted were useful for the company and in a way it was easier for them to be the bad bogey and sort of say look we need different eh disciplines in here rather than me always to be cracking the whip and trying to make something happen so the regret is I was scared of debt and didn't have those financial skills which with it wasn't just for debt eh the institution of investors have been super with us they have stayed with us they they understand what we are about and of course those hard nosed businessmen have agreed to be disenfranchised as we've put in double voting for the staff that's fine for the staff for the other shareholders the non-staff shareholders are equally disenfranchised and our institutional shareholders have been super with us yes

S2 Did your employment strategies vary with the various sectors that you serviced and if they did are there any distinctive patterns that emerged

P I was guilty of a sort of fairly classical mistake of thinking that what worked in one time place and one culture was easily transferable and I lost a small fortune by trying to actually replicate FI's early success in Scandinavia which is where our first in the Netherlands and in the States + I don't think one can generalise except to the extent of saying people are different and that you can't actually take things and clone them elsewhere what I hope are transferable concepts such as empowering the workforce such as flexibility such as using an indirect workforce rather than necessarily having I mean my husband he's now retired he did 40 years with a single employer that pattern of employment is just no longer the case in Western

society we have to find new ways of tying a workforce into our service businesses that are relevant to the culture of the time and that move with time and what I've seen over the years is this continual need to recreate the company rather than just incrementally move it forward the distinctive patterns which I notice are really are certainly the changes among women the various ages of women the pioneers of my generation who were over-qualified educationally in order to break through certain barriers that doesn't apply to women today in Great Britain I think it does apply in other parts of the world in different cultures today's young people are looking for quite different things they're not looking for security despite the current recession you don't actually look at an employer when you're young and think as I did at 18 asking about what were the pension arrangements in the job I was interviewed at 18 you know it was quite a serious expectation so those distinctive patterns are quite local and it's a fatal trap to think that everyone is going to be like us but younger like us but a different colour like us but somewhere else they're not they're just all different and we have to use information technology in fact to deal with situations on a much more individual and flexible basis rather than sort of saying all the people in Solihull are going to do this yes

S3 Mrs Shirley you've eh described a a commercial approach and so a vision a philosophical vision in relation to participation eh to empowerment rather you divided the stages down into emancipation participation and empowerment and you described the participation phases as a legal technical structure which eh from what you went on to describe you now believe you've left behind what indicators I'm afraid I'm a little sceptical eh there have been eh many attempts if you like eh to secure very high levels of worker eh involvement commitment etceteras generally speaking they haven't been successful so what indicators are you using now to verify that if you like your vision and your goal is in fact being realised

P Well folks um the success of that vision you can really track over the next years because you can't really tell whether it's a success until perhaps by the end of this decade it's not something one can see we just feel we're at eh beginning of this prime period in the company's growth why am I so confident it's very early on it's a few months it's happened only what are the changes that that that well they're partly anecdotal and we're starting to measure them as I mentioned we've just done a staff um survey the second only the second that we've ever done and we intend now to do them every 18 months to 2 years in order to track how the staff are feeling the measures are numerate in terms of staff turnover will that improve our turn over rates which are already better than the industry and the industry rates are horrific so it's a very important factor for us will it bring in the profit to the bottom line as I indicated we're really not there you can tell I'm embarrassed by it It's a super company we're a growth industry we were early we were in fact in getting access to a work force in short supply you know ok I'm a millionaire but it should have happened should have been very much more profitable and I hope that will actually start to come through in the next few years there's some anecdotal indicators not quite people turning off lights as they leave the room to to but let me tell you about something that's going on at the moment like many other organisations we are flat we are doing better than our competitors but it's pretty difficult business and so we actually want to cut our costs trim them but suddenly this is seen the cost cutting exercise not as cost cutting so much as profit improvement and whereas a couple of years ago the pattern of doing this as I'm sure with many organisations that I'm sure you've been involved with would be to ask one of our senior managers or possibly even an external consultant to come in and look at the whole organisation and find places where significant savings could be made present them to the board and we would sort of say yes we'll do that no we won't go ahead and implement

them top down today that profit improvement is coming bottom up that there are facilitated by management groups of course considering how to reduce the cost of our transportation how to improve the profits dividend delivered by our training sector how to every aspect and they're coming up with significant suggestions not all of them are sensible it doesn't matter but not all of them are instrumentable again it doesn't matter a hell of a lot of them there and real suggestions about half a million of them are going to come through this year so that is serious money those are the indicators that the ownership of the company is being perceived in a different way there is no doubt that while I owned the majority of the shares people did imperceptibly always sort of think oh Steve will cope and now they're doing it and that is very very encouraging long term watch this space right there's a question at the back yes

S4 Um I was quite interested in the approach that you gave in your speech but also in response to someone's question about sort of getting the workforce sort of more involved in comparison to someone like Charles Handy who says we're all going to have our own portfolios of jobs and we're all going to be doing different things and not be tied in which is very much reflected in certainly the way the industry I work in terms of bringing people in to do a certain job and then getting rid of them so to speak and not having them on the books as employees and I just wondered about the contrast of that approach with your approach

P Well Handy always quotes FI of course as being the practical example of some of his um theoretical ideas because we have of course given the business enormous flexibility by using sub contractors who do come on and off the job in um quite an apparently unpredictable way in practice our sub contractors tend to be with us for years and this is because in fact we have made an effort to involve them not think of them as second class commodities that can be sort of brought in but actually thought of them as the key workforce who are we try to lock in a tightly as we do our key managers in in the technical world obviously we're very dependent on some of our key managers especially marketing skills but some of the technical skills are also very very important we cannot do a multi million pound software we cannot bid for it without resource to certain skills that are very rare and very expensive so for a long time there has been a good career progression along the technical ladder and those people you can't tie them in if you offer them a 5 year contract they're not interested they want to go where the interesting work is when we talk about involving our workforce we're not saying that we're going to cushion them or smother them or mother them we are saying though that the future of the company in which they are spending their time for a remuneration package of course is theirs collectively to drive but they should decide collectively if in another few years time they want to merge with another software house or acquire another company and dilute the shares or think long-term and move into satellite communications or whatever it might be that that is their decision including the subcontractors and they are grasping those opportunities with enthusiasm not all of them there are some cynics around who obviously not everybody bought shares noticeably the take up of shares among our sub contractors was significantly lower than the take up among our employees perhaps not surprising because the company was able to offer interest tax free loans to be repaid over two years to the employees we were not legally able because for tax reasons do that to the subcontractors so there are changes in that workforce but the emphasis on our indirect workers on our associates on our allies is increasing with time not only do we have consultants who individually work with us on major assignments but we work in alliance with small groups two or three man companies that perhaps two or three years ago we'd have sort of said we can't really work with they're too

disorganised and so on but we do now have lots of co workers coming from different sources and contributing both spiritually and with their technical skills I think one has to separate the benefits of private patients' plan and BUPA and pensions and all those things with actually getting people involved in the day to day issues and it's the latter I'm talking about

S5 Um we're interested in how you approached the company because I'm sure the philosophy's been there from the start and therefore in a younger and a growth company in a growth market it's relatively easy to experiment to make mistakes and the recover particularly with an educated workforce who might be thinking in a like mind to yourself how do you suggest your thoughts on empowerment would say transfer across to a much more maturer industry say the coop or health service (P Well) let alone the bigger industry

P I do believe that the concepts take over not only to bigger industry but also to some of the public sector and fairly obviously I've discussed some ideas with a whole range of people um particularly to name British Airways their performance through people is is along very much the same line and is obviously giving their customers a quite different service than pertained say ten years ago the other very unusual or unexpected parallel is with British Petroleum B.P. now Bob Horton is empowering his staff um in with very similar aims to actually get the decision making out away from the centre he's using share ownership as well but with a company as large as B.P. although he's got a 100% take-up of share ownership the workforce owns about three or four % of the total so it's a quite different pattern they don't have control but he is going for empowerment in a very parallel way in British Petroleum they are currently having enormous problems and he's looking to a participant and empowered work force to help get B.P. through some of its current trading problems

S5 How do the market value the shares I mean

P B.P. is obviously a quoted company which we are not we have an internal market which is we used to have a share shop where people just listed the want to buy shares sell shares and a buyer and a seller got together and agreed a price we are now starting an internal market run by our merchant bank it takes place twice a year external evaluation and all shares are bought twice a year at that price I cannot sell my shares to you or to anybody else I have to sell through that closed market It depresses the value slightly but does give a market for my or everybody's shares

T I'm sure what we've heard from =====

Text 4  
Approx. no words: 2730  
Tape: 49 - 1. 07

P===== that's my summary Allan I'm very happy to take \\

T \\  
can we go straight into a question session then Thank you very much Malcolm

S1 In terms of this this approach to market sourcing that you were talking \\  
about

P \\  
could you just Sorry

S1 In in terms to this approach to market sourcing that you were talking about and the longer term view that is being taken there how do you rationalise that with the other side which is particularly in the company which Richard Fisher PLC in dealing with the short term approach to the financial aspect +

P Yeah um I think you have to accept that change does come with pain um + I believe that the long term relationships that we've been talking about will deliver better quality profits better quality results in the future and we have to manage the transition from where we are now with national short terms to longer term quality businesses now I have a little bit of a buffer because my company is owned by a German company and they probably understand long terms better than the British financial institutions and although I have to make a profit on a short term we have a slightly different attitude towards investment and the process I have been describing this morning I would identify as an investment for the future which will not deliver the results today but certainly in the medium and long term will deliver the results and I have to find a way of managing through the short term at the moment it's not too bad because if you can say to an investor the growth pattern of the car industry is such that it's going to increase by 30% in the next 5 years and we're going to be part of that growth and we have our plans to deliver continuous improvement then they will sit down and listen to it it's when you haven't done it and you say that's the way the market's going but of course we aren't going to share in that we're going the other way

S1 I think there's a bridge I agree with all the things you said I've been involved in the industry myself and I know how it can be applied and the benefits that can be obtained but I believe that there is this great chasm that British industry needs to somehow get across because the shareholders are going to say well ok what you're saying might be fine but you know I'm looking for my short term return I'm taking my money out of your company and shoving it into United Biscuits or something you know where I'm going to continue to get the growth that's anticipated so I believe that what you're saying is the way we have to go getting there is going to be a slow and very rocky road

P I think there will be within that process there will be rationalisation of groups of companies and if you look at the leaders GKN Lucas BBA what you will find is more groups of that type emerging and the smaller companies will have to make the strategic management decision we

can live within the scenario we've just been talking about it's not for us therefore we'll have to pull out and sell out to the GKMs to the Turner and Yules or or whoever

S1 So you think there may even be a wider shift then than previously seen alongside decentralisation and divestment from the big groups getting rid of do you think that may well change (P I think it will) They might start taking on

P I think it will change yes yes because the other strategic issue is how do you develop enough critical mass is an organisation to fund the research and development the design capability the quality systems etc. etc. etc. if you're only employing 250 people you don't have the wherewithal to do it and make a profit so these companies have got to form themselves into a unit which enables them to provide this infrastructure and still deliver the goods and that's going to be very difficult

S1 Thank you

S2 Can they not do that through joint ventures rather than acquisitions because the problem with acquisitions is the management has these diversified diversified cultures can they not do it through joint ventures with co-partnership rather than the actual big units

P That is an option and if if 2 managements can work together then there is no reason why that shouldn't take place the thing about an acquisition is is it's a hostile acquisition then the 2 managements know that they are going to fall out from the beginning so one side says we're going to be in charge and you're going to be out if it's a merger they'll reach a friendly solution but the problem with the joint venture is is structuring it you bring 2 parties together but somebody's got to lead it and then you get the the the articulation between one side and the other saying well we're in this as deep as you are why should you make the decisions and you get into this scenario of no-body will allow the other one to actually take a lead in theory it's a it's a very sensible approach joint venture but in practice a lot of them don't work because of the lack of trust from one side to the other do do you understand what I mean

S2 Yes

P And unfortunately that's often a downfall whereas with an acquisition one party dominates + I think that the case of acquisition is very good in in in the sense of Japan because coming into UK because the cultures are so different that for a Japanese management style to take over a British company would be very hard for the communication and the understanding and I think that's the reason why many Japanese companies for example prefer to go for a green field site they don't have the history of the of the company to settle with with a green field site you start off everyone's equal and you put in the rules as you as you build up and that's a lot easier than going into a hostile take-over situation

S3 How much of your out-put is tied in with these co-partnership arrangements where you're heavily engaged with your people you sell your products to

P Currently eh \\\

S3 \\\ percentage-\\wise

P \ I would say about 10% 10% but but 3 years ago it was zero and in 3 years time it'll be 50% eh

S3 and you'd expect to keep the percentage 20 30 40% separate from that co-partnership arrangement or the idea that it is in the long term

P The answer to that is I don't know I have to keep going back to these plans to see what's happening to the customer base for example if if Jaguar not following this policy of co-partnership then I have to see where they fit in my portfolio of customers

S3 When you talk to the people you want to sell you products to do you really adopt the same attitude when people are selling to you so you're like integrating up the river how about downwards now do the 2 things actually match in (P Um) attitudes really

P Um yes and no in terms of eh we would like it to work that way because whereas we have a quality standard imposed on us by our customers we we transmit those same quality standards down to our suppliers now we would like to develop a a less adversarial situation than we have at the moment but we do have an adversarial situation with most of our suppliers particularly (name of co)

S3 Is that because of the lack of quality perceived in smaller firms than yourselves

P No it's simply the process of breaking down tradition we as managers can sit around a table and talk about all the things that we talked about today but when the buyer comes in and see and he sees the salesman they don't understand this sort of thing they say well you screwed me last time so I'm screwing you this time and you know bang bang bang and the story comes to the top and you say but gentlemen that's not the way we do business we trust each other and you know they say yeah yeah yeah and go away and bang bang bang again it's a process of change which takes a long time it's a cultural change it's an attitude change but it's taking place really with the Electricity Board it's different and it you see we're piggy in the middle you don't have the clout look at the size of the organisation we're selling about £70 million in the automotive industry it's minuscule you know if we disappeared they probably wouldn't notice our major suppliers is the Gas Board and the Electricity Board and if you've ever wondered what a nut feels like in a cracker you should come and work in the foundry industry because your customers and suppliers are just so much bigger than you are yourselves and you have to find your way of living and working your way through that so we take it out on the little people who are a little bit smaller than us and we can bounce off them not really sorry

S4 Yes I was going to ask you when you were going to write to Michael Porter at Harvard and tell him you disagreed with his New-bend where he says you are either a cost reducer or a differentiator if you are neither of those two things you are stuck in the middle and what you are saying is actually that doesn't exist you have to combine the two and so it was just a bit of a frivolous question \ really

P \ Yes well and then it's interesting we're talking about management science and so it's an optional isn't it Michael Porter isn't always right and he isn't always wrong that's

the beauty of social science everybody can be right all the time (laughter) I don't know how you fail exams in social sciences because you answer is as good as anyone else's (laughter)

T We'll answer that question in xxx

S1 Can I just come back in with another question it's really just to turn all this on its head and ask your comments on the sceptic's view of this partnership purchasing which is the big companies dumping on the small companies and not accepting or really passing on all the responsibility and not paying for it and that's sort of under the difference of cultures between the Japanese approach and the UK approach which we've already talked about how do you answer that challenge

P Well you you you don't we three years ago we entered into a long term relationship with a major West European motorcar manufacturer it was a three year contract the buyer changed and we went to see him and he said well the contract's finished we said no you can't it's a three year contract he said well (mime of tearing up piece of paper) now shall we have a conversation and that's the difference the the European people haven't yet come to terms with the culture change the trust the need to sit down and hold hands as much as the Japanese And that's understandable perhaps because the Japanese have been doing it for tens of years the the Western Europeans are now begrudgingly got to accept it because it's better than the way they have been doing things in the past so it's not a willing horse going to trough to drink it's being forced upon them and they're doing it very very reluctantly and I must say that most of the British manufacturers are adapting more readily than the German manufacturers the German manufacturers are kicking and screaming all the way but the British manufacturers maybe because of the closer proximity and the better inter-change between managers in the Japanese transplants and the British car manufacturers tend to work together coming back you your point we had long term agreements with Ford we had agreed prices for 3 to 4 years Ford went into loss making and the old adversarial stance came straight back in eh front and when you talked about economic price increases they said no we want reductions and you were then right back at square one with Nissan and Toyota we've not experienced that at all when you have a problem a quality problem as we all do from time to time the Japanese send their team in and they actively work with you to try and solve that problem In contrast the the British come in send a team in hit you over the head and say you'd better solve this quickly which is not very helpful we've gone back to the adversarial ways but it will change it will change there's a question at the back is there

S5 Well yes um the point I'm firstly a point on what you've just said which is that the point of the strategy of management is to look at the future and see how it will be and you're saying that in industry at the moment managers might not have got to that stage where they are co-operative and they are very adversarial but to be in a position to know that in 5 years time you know better than they do what they'll look like is a key strategic advantage and that's what really the process is about isn't it (P Yes) it's not about saying well Ford are already a nice bunch of people to deal with and they don't stuff you in the back the minute they've got a problem the fact that in 5 years time you know where they'll be and you're starting to get in a position where you're better placed for them then is the point of the process my question was that who within the organisation do you see doing carrying out the strategic analysis how specialised are they in it really that's my I mean you've given a very detailed picture of the process but you haven't really mentioned who within the organisation you see doing it

P Well it will depend very much on the organisation itself if you're a firm like GKN or or or Lucas or Turner and Yule you will probably have a strategic team working full-time there with a staff of 2 or 3 people looking looking at these issues on a corporate basis the smaller the organisation then it'll probably fall in my company it falls down to the chairman you know I have to fiddle through the ideas the strategies and discuss it with my colleagues but they're all busy hands on managing their businesses that we don't have a big hierarchy of staff where we can put these issues to them so it falls down to me and if you go to the single owner entrepreneur he probably does it very informally just by collecting information sleeping overnight and he'll make very informal decisions but it's very much size oriented because the medium size will probably have 1 or 2 people and they will often bring it in together with the mergers and acquisitions team if you have an M & A team then this will be part of their brief because some of the aspects do coincide you know what are the capabilities that you are looking for to fill the gap that we've identified

S5 So you see it but you see it as a process being associated with the top of the organisation

P Yes but not exclusively I mean yes that's where the initiative and the drive must come from but it's not a process that's restricted I mean you must go down into the organisation to get views and ideas I think one of the sad aspects of British management is that you tend to think these things are for the top people you've got to include managers and one of the difficulties is getting managers to stop making widgets to think about the wider aspects of business that really is a difficulty you ask them a question and they think it's a trick and you know that is a communications barrier ==

## Subgenre B: Student Presentations: The Discussion Following the Presentation

Text 1

Number of presenters: 1 (on behalf of group, S1 and S3 also in case group)

Approx. no words: 900

Tape 1: 1.07 - 1.12

P1 == If anyone's got any questions I'm sure the rest of the group will be happy to answer them

S1 (in group but not presenting) Well done Jane thank you very much indeed

Clapping

S1 Seriously if anyone's got any questions that we can answer for you we'd be more than happy to do so please don't be too restrained ask whatever you like well almost

S2 I'm interested to hear what you say about the Spanish and providing for the Spanish Hispanic communities in America

P1 Yes

S2 If there if one takes the perception that they're immigrants to the country \ \ therefore

P1 \ \ That's  
an assumption

S2 It's an assumption but there's a large movement from Mexico Cuba Puerto Rica across into America perhaps there's a whisper behind me illegally perhaps they want to move away from their own culture to join the great American dream do you think speaking to them in their own language therefore insulting them that they're still from the third world is perhaps the best way to sell to them

P1 I would think it isn't perceived as actually insulting but seen as making them feel welcome using their own language that kind of thing but obviously that's a personal view

S3 (in group but not presenting) Also one of the points we did discuss is that if you are a coloured person and you're selling a product a beauty product you've got to sell it and sell it yourself say you know little things like oily skin and just little difference someone who's Spanish person is going to pick those things up now if a white person sells to a black person it's much more difficult to convince that black person (S2 Um) that that product is going to suit that black person and that's from experience

S2 I wasn't saying it had to be the sale of the white person as a sales person it's just that reading one of the books this morning well actually they had a supermarket chain in California and when their sales took a dive when they started advertising with Spanish adverts in the supermarket and it improved again when they were in English because the immigrant community to not just the migrant community extended it to the second and third generation did not wish to be associated with the new people moved in they were American in their eyes

it's the language part not eh obviously if you're of the same background it doesn't matter where you're going to sell better to someone

S1 I think it's fair to say that the comment you're making puts it very badly I think in reality market research would be done to actually decide how to best approach the market and probably what would happen in this situation voice-overs in American say American rather than English and whatever in whatever language it was that you wished to project the message in the point about America of course is that they have a lot more localised television stations than we do over here and you can home in to specific area a specific cultural area in a particular language if you wanted to I'm sure so it's a slightly different market from UK

S4 Don't you say in America as well where Spanish is concerned particularly in the southern states of America em there is an awful lot of Spanish spoken and a lot of Hispanic communities do speak nothing but Spanish and there are a lot of people who do not actually speak English so I'm not sure that Daniel's point is totally valid that they're getting away trying to completely get away from their their culture and language

S1 I think that the Third Reich dominated well 50 years ago it might have been that everyone in the world spoke German and nothing else was spoken but I think we have to accept in the society in which we live a lot of people you've only got to look in England in England where we speak English as our first language the Welsh want to speak Welsh the Scots want to speak whatever it is they speak and even people in Cornwall want to speak Cornish I understand so I think it's important that although people from Mexico or wherever people may want to go and join the American dream they also want to retain the character of their own national background

S3 I agree with that you get in the big cities you get Spanish areas Chinese areas and so on They retain their culture within those small areas

S1 And again relating it back to \ the UK so

S3 \ So Daniel we believe you we believe you I'm sure you don't believe everything you read

S1 Are there any other points anyone wants to raise I can see you're all so impressed with Jane

P Oh shut up

S1 Well done

T OK would group two like to come out please

Text 2  
2 presenters  
Approx. no words: 1380  
Tape: 1.13 - 1.21

P1 ===== Does anyone have any questions

S1 Yes I have a question you talked earlier about how they segmented the market you said they'd actually segmented the market in a number of ways that you said were relatively successful you said it wasn't they hadn't just down it demographically but in a number of ways do you feel they could have made a better use of psychographic profiles of their customers +

(general laughter)

P1 In English please

P2 Someone else want to try a question I don't understand that one

P1 Yes very good

S1 What I was trying to get at was that there have been quite a number of surveys undertaken in terms of the psychographics of cosmetic buyers and their actual values and the fact they they might be more higher achievers for instance than say other women in the community or they may be more sociable more outward going or they may have may be more appearance conscious for instance I just wondered whether um that kind of information may have completed say the kind of demographic information you talked about earlier

P1 Sure there was no was no clear evidence in the case that they had done it but they must have taken this into account in these instances or maybe these these Avon ladies essentially knew from experience which customers to target it also states that the company was very autonomous and therefore perhaps the the sort of headquarters in a particular country had a much greater consumer awareness than was actually pervading the case but yes they could make a

P2 I think actually that all I was trying to say was that the way they segmented the market in different ways I didn't really it doesn't really matter how it is but it was very effective that's all I was trying to say and I apologise for not understanding what er psychographics are sorry next one

S2 Given that you say that like should sell to like that similar characters similar cultures should sell to their own cultures or colour or creed or whatever do you think that there's a case to make that they themselves sell quite a high proportion of male cologne aftershave they should actually have Avon men (P2 Certainly) and men familiar \\\ with

P2  
to get familiar with yours

\\ Are you trying

P1 I think it's all down to personal preference

P2 I should stay off that if I were you (general laughter)

S3 (in case group but not presenting) Can I come \ back on

P2 \ You're in our group

S3 Can I come back because I'm in the group and we did look at the issue of men (laughter) and we decided that as most women purchased aftershave or whatever for their men there wasn't actually any place for it women would be selling to women who'd buy for their men

P1 Thank you

S3 I wanted to do my bit

S4 Um since to the best of my knowledge door to door selling is something of a is considered to be something a fairly downmarket activity and since one of the ways in which one of the ways in which most most Western countries have been moving lately in a sort of progressive gentrification of the population do you consider that tone of the weaknesses or threats I'm not sure which that Avon now face is a customer perception of them being basically a company company that sells products to low status people

P1 Yes and no you can look at that in 2 ways first of all you don't associate Georgio Beverly Hills or Oscar de la Rente with a cheap company there have \ been

Ss \ You don't associate  
Avon with it  
{  
\ Not Avon

P1 Yeah but so therefore they have have already recognised that in a way if you look sort of towards their retail end they've gone quite up market but also you have to look at the the idea or one of the key features of Avon which is convenience and many people prefer shopping in their own home and particularly the range and the facilities that Avon offer are better suited to a home maybe sort of women who went into a department store wouldn't sit and have their skin analysed by a computer and all the rest of it but if you were at home with no sort of disturbances etceteras you'd be quite happy to spend 5 or 10 minutes doing that and therefore they are essentially even if you suggest they are associated with the low end of the market in one area they have used the profits they have made to actually target and cash in on the retail market sort of relating to customers who are not shopping at home

T Perhaps I can just add to that point I'll come and shout from here as this is the only place I can be heard one of the things that has happened in the States has anyone here heard of the colour me beautiful concept yes no (laughter) he obviously isn't wearing makeup the idea where you have particular skin tones and that you then either will have pinky tones or peachy tones to suit your particular skin tone colour and because the ladies who all tend to have this done the facility is now in fact available to gentlemen as well advise you on clothing and not just on the makeup the idea is that it's people who can afford what you might call quite an

expensive make-over done if you were to look in the current Avon catalogues they have some of their sub-brands if I can call them that which are very much tied to this notion of warm shades or cool shades that is peachy or pink

S4

\\ Is that summer or winter shades

T That's it so that the upmarket ladies who have their colours sorted out for them can then buy with confidence the make-up they know will fit into what their consultant has advised so you can target in the same brochure both the upmarket and perhaps the more down-market cause one of the things which perhaps hasn't been picked up is again that in the Avon catalogue a number of things are very much priced so that children can buy things for the adults in their lives particularly when you get to say things like mothers day you'll get things very much like buy for your mums sort of thing but it's very much this thing of being sensitive to what's happening in the market so that you can produce in your brochure the items that are appropriate so on that point I'll hand them back so in case there's anything you guys wish to add

P2 Someone wants to ask a question down the back

S5 I just wanted to my friend's question really and look at the core competencies that Avon clearly have which is in the door to door type selling and direct marketing is there scope within their organisation bearing in mind the fingers they've got around the world and the culture they're selling into and the different attitudes towards perhaps direct selling for them to take those those that one would perceive as upmarket brands the Georgios and whatever they're called the ones they retail Is there any opportunities to actually sell those through their direct marketing and door to door operation

P1 Well yeah of course there's opportunity but it depends how you perceive the product and maybe people have different perceptions of the Avon lady and the girl at the perfume counter that sells them the expensive perfume and therefore they would have to obviously have to carry out some I would think some extensive test marketing to see how whether the sales they loose in the retail business will be compensated for in the door to door sales

S5 Yeah um perhaps I'm going off at a slight tangent but I just think that the core capability clearly that Avon have in the door to door type selling and direct selling approach to marketing and I'm wondering if really if one thing that's going through my mind is can they expand that area to take advantage of eh some of the more expensive brands thank you

P1 (looking round for further questions) ok

(clapping)

Text 3

Number of presenters: 3

Approx. no words: 1560

Tape 1: 1.21 -1.30

P3 ===== That's it any questions + point at one of us

S1 What sort of threat do you think they face from technology in sort of domestic cleaning market I mean washing machines you can buy nowadays you can wash natural wool fibres it doesn't shrink I mean there's some garments like suede or leather you'd need specialist cleaning but more and more there's less requirement for dry cleaning

P1 Yeh the principle thing that comes out of the study that was quoted was time that people go to dry cleaners to save time so the people who go there are unlikely to want to wash their own garments

S1 (gesture)

P1 Sorry

S1 I don't know that I necessarily agree with that I mean the amount of time getting in the car driving somewhere and paying some money \ to wash things

P1 \ Well it's not that people do it on the way to do something else to do shopping go to work or whatever these people open from early to late and people drop in on the way to do other things going to work or whatever and the principle reason for going is time to save time

S1 I would disagree I would say I take things to the dry cleaner because I have no option I mean I take them there because the label says dry clean only (P1 Well I) I can't wash it in a washing machine In fact sometimes I do I just take a flyer on it

P2 I think our market would be slightly different from the American market I expect theirs is probably more advanced than our with people prepared to take their various garments along even if they could clean them themselves and certainly that did seem to be the case

S2 I think the American are much more geared up towards easy care clothing than we are as far as I can figure out they love non-iron non-care cleaning

S1 I think

P2 But the case suggests that people are not realizing that these fibers are not so easy to use as was initially implied yes I agree they took off I suspect they also took off in lower income markets and the lower income markets to some degree may not necessarily use dry cleaning facilities in the first place so it may not necessarily affect the market that much

P1 We are talking about 2 different markets I mean what the case study shows is that the new stroke old materials are coming in people are prepared to spend money to look after those and

it quotes somewhere that 40% of people take shirts to be laundered and I just don't see that happening in this country my shirts don't get it

S2 Well it's interesting you raise that shirt laundering issue because you were at the risk of being controversial slightly dismissive of the first question that said how do people choose a dry cleaner one principle criteria is one that launders shirts and I mean there's quite a big difference between laundering a shirt and dry cleaning it most dry cleaners don't launder shirts and that's the major selection point for me I would have my shirts laundered normally but I wouldn't have them dry cleaned

P1 Right well the case study goes on to say that there are specializations they are looking towards moving over certain premises anyway certain people are coming onto the market just to launder shirts (S2 Hm) that is a market that's recognized over there I don't know how well it is over here

S2 Well I think that may be geographical as well because out of the dry cleaners in this area I've only found one in Birmingham that launders shirts if it was in London especially West End and the City you'll you'll find places the only launder shirts that are very specifically chanelled in that direction you'll find most probably 90% of dry cleaners do shirt laundering it's very big business for them

P3 How far do you go to have your shirts laundered as a matter of interest (S2 Erh) how far do you have to go to do it

S2 It's on the other side of Rackhams

P2 Is it inconvenient for you to get there

S2 Well it is really because I pass about 5 dry cleaners on the way to it \ \ it's just in Corporation Street

P2 \ \ Yes but you still use it but it's an interesting point that you still because of the convenience attached to having your shirts laundered you still go about battling your way through them to get there

S2 Yeh

P2 And I suspect that in itself is initially important

S3 I think the geographical thing holds true in America as well in Manhattan in Chicago in San Francisco or wherever you have a totally different kind of demand than you do in the sort of areas in which it is easier to travel around and people do have cars I have friends in Manhattan who wouldn't dream of eh washing any thing it really is everything just goes to the dry cleaners whatever they do to it so they can pick it up whenever they need it whereas someone in the suburbs will get in the car and bring it to some old shopping area

P2 Would you suggest that laundering and dry cleaning is more a part of life out there

S3 I'm saying it's much the case that demand will be different in every community area that you go \ to

P \ Yes I appreciate that I'm going back to one of the earlier points that we seem to be referring to our experience in this country but I suspect in America and other countries it's very different

S3 I think no different than Andrew's finding between London and Birmingham even England and UK you'll find lots of similarities you'll find I mean I identify with that Jill was saying you're just going to put things in the dry cleaning because you just can't wash them you'll find I'm sure you'll find a lot of people in America just like that and others who will make sure they can find a place where their shirts can get laundered I mean it's too big a country to put it all (P2 Sure) in one pot and say this is what Americans do + one major thing is that there are dry cleaning machines as you go to a laundry mat there's often a very good machine you can put your dry cleaning into and that's quite a competitor for a dry clean shop

P2 Yes I think um obviously he's going to have to watch this one carefully because he stresses the personal touch but at the same time that is the way the market is moving he's going to have to keep up with that and employ some novel way of making sure that the environment is very friendly and people actually enjoy going there because obviously people are going to figure so much which is one of the key points so far

S3 One other thing you hear quality of service you mentioned eh the convenience eh the convenience shops open from early morning to late at night one of the most important things is dry cleaning can be dried quickly one hour dry cleaning is a very big thing thing

P2 Yes I was surprised it was a 24 hour service it talks about express service

P1 Yes there is an express service

P2 I saw another (hand)

S4 I was interested about the fact that you said it was only about five who had more than is it five

P2 Two had more than \ 5 outlets in this area that's what he's suggesting

S4 \ Two have more than five so it seems in the future there's going to be a lot more entries and it's going to be the classic thing a mature industry possibly with lots of over capacity (P2 Yes) and therefore its only path will be to become a market niche (P2 Yes yes) and diversify what this probably means is things like getting into the laundry as well as dry cleaning

P2 Well he shows some diversification although the main business is dry cleaning yes Talks about (inaudible) and so forth and I \ suspect

S4 \ But the technology side he seems to keep up

in terms of machines and the chemicals I'm interested to know how much technology keeps up with in terms of the garments themselves and the materials who does that is it the suppliers who say well there's this new material rayon x which you have to treat in such a fashion

P2 Well well I think I mean it's not necessarily a point I thought about now I have I think the idea of market research generally is important and keeping in touch with developments within the industry as you suggested

S4 Um just the one last thing (P3 Yeh go on) you mentioned franchising as one of his alternatives but was there any other products he mentioned products or services he mentioned apart from that he's thinking he's thinking about they may go on to

P3 That he already does in the way of repairs \ and so

S4 \ Well no for the future in question 4 really

P2 Nothing came from the case that I picked up anyway + that was to remain his business anymore no I don't think so

T Well thank you for a presentation that was =====

Text 4

No presenters: 4

Approx. no words: 900

Tape 1: 1.30 -1.35

P4 ===== That ends question 4 ok

(clapping)

S1 One thing I'd like to talk about is improving the quality of your service through maybe having a pick up and drop off service where you would I don't know that they are at that moment some companies that do that they pick it and and drop it they'll you just ring them up they'll pick up the laundry then go and pick it up or drop it off in the evening

P4 I think I think we consider that with this idea of the cleaning operation where we take a batch of uniforms for the individuals I think it's an area quite a big challenge but in this case where we collect uniforms eh factory clothing I think that's a good thing to diversify into. collection and delivering

P2 It largely depends on the areas you are serving and what the density of the population is because if you're going to be buying vehicles that'll stand idle 23 hours of the day it's not worth it

P3 Hugh

S2 The dry cleaners in my village does does a collection and pick up service and he reckons that brings in over 50% of his business because he picks up before 8 in the morning and drops off after half past 6

P3 Is that domestic \ or

S2 \ Yeah

P2 It largely depends on what profit you make out of the business when you take into account the capital costs and the charges of running the vehicles and we can't do the calculations we haven't got the information

S2 Cheaper for him to advertise as well because he's got to put it all over the vehicles

P3 Yeah

S3 These things are more or less like questions or recommendations or recommendations like suggestions I mean you could go on and on about it you could say how about try to (P1 Yeah) you talked about complimentary services you know and I thought well how does that fit in with the franchising system where do you draw the line because if you open up a dry cleaners and next door you've got a key cutting and shoe repair and then you think to yourself well maybe we should go into that and franchise that as well you might have issues of control but you said that you've got to have management commitment at eh top and how are you going to

keep commitment to the franchisees because you didn't mention anything about training the franchisees as well and maintaining the quality there and that's going to be a big issue because you don't have as much control over them

P4 Obviously these issues we must consider I mean we've thrown that in as something we must seriously consider now so that is as much depth as we've gone into it I mean obviously the management would have to consider franchising but I haven't gone into it so we're throwing it out as an option a recommendation

S3 You've got to look at it seriously though because the Europeans will be coming up as well as (P2 It's not) these people from America

P2 It's not true to say you won't have control over your franchisees you never ever I doubt whether you'd say Benetton don't have control over their franchises

S3 That depends on the structure though \\You've got to look at the structure it's the management's got to look at it

P2 \\ Yes that's right of course if you're going to do it you've got to do it properly you've got to look at it

S4 You mentioned the possibility of a merger but did you think about alliances with other organisations? I noticed that 1 or 2 of the larger supermarkets like Safeways have now got dry cleaning franchises in them so that services are like where the people are rather than attracting the people and dry cleaning to them

P2 I think you've got to look at everything you could have an operator where people approach you you'd seriously consider it It's a highly fragmented market and to maintain premium pricing in a highly fragmented market you've got to be one step ahead of the competition and you've got to consider anything that might allow you to maintain that

S3 The previous group seem to have more stress on the technology importance than yourselves didn't you feel that as a \\ factor

P \\ I think I think it's irrelevant you don't need it you don't buy a TV on the basis of technology I don't think you buy dry cleaning on of the technology I think you need to keep up with it because if they get well down their competitors can use it against them but I don't think it's important as a mechanism for gaining market share or maintaining market share

S3 So what's their competitive advantage

P2 Quality the service they provide and the people they employ how they provide the service at the front end of the business

S4 I thought one of the main criteria for customers selecting a dry cleaner was the professional care of their clothes ad how stain free they were when they came back (P1 The

main) so even though the customer may not be interested in technology surely it's critical that these people should be interested in technology in offering the best freshest service possible

P2 I didn't say they shouldn't be interested in it I said I didn't think it was something as highly important as something to give out to the customers

tape break as session ends

Text 5

Number of presenters: 4

Approx. no words: 1020

Tape 1: 1.35 -1.42

P1 Ok is there any questions at the moment yes Peter

S1 Did you feel there's a segment of the market they're missing out on

P2 Sorry what was that

S1 Did you feel there's a segment of the market they're missing out on

P2 Do we think there's a segment of the market they're missing out on do we +

P3 In own country or internationally

S1 Internationally

P1 Um don't know

{{

P2 Don't \ know

P3 \ I don't think they're missing off market there's some growing market there's some opportunities and we have to go into these markets eh it's not a problem of actually missing out we we decided in the case study for some countries which appears which appears to be interesting because of profitability and things like that but

S1 I asked the question because one thing that wasn't in the case study was the male market and I would suggest that a lot more male fragrances are bought by females

P1 Yeah

S1 As presents rather than by males personally

P1 Yes but I'm not really sure internationally maybe domestic market internationally there might be say more like Japan more male dominated they're probably be more likely to buy their own products I think you have to look at each country individually um as I said Japan where there's where there's more male domination I suppose you're probably right there probably is a market for male cosmetics

S2 Aren't they actually tapping that market through the area of men's' aftershaves and all that kind of stuff because you don't only get aftershaves you get soaps aerosols all that kind of stuff

S? Whole ranges

S2 Yeah it gets worse

P1 Yeah Any other questions yeah

S3 Er

P1 Yes Jane

S3 Um your remark about you think black Americans wanting to lighten their skin um

P3 Eh it's not a problem of light or not light the skin It's a problem of um they ask for some special colours for example foundation I don't think they can use the same kind of foundation colour than the others because it's not the same colour so you really have to adapt all the time products to the eh that and \ eh

S3 \ Tone matching you're saying they should be offering colours that match the skin tone are you rather than lightening them

P3 (gesture of acceptance and then general laughing)

S3 Thank you

P1 I know from experience that in other countries especially in Asia there is a very strong element of trying to keep your skin very fair especially in places like India and Pakistan + as I know yeah

S4 Can I say something even in black (laughter)

P1 I wish I didn't say it now (laughter)

S4 I don't want to sort of go off at a tangent or anything here but politically it's a very dodgy one to bring up at all especially in black America where there is a whole emphasis now in going away from that post colonial attitude and you probably won't sell much very much stuff like this which is supposed to make your skin light

P1 Yeah I probably right yes

S4 It's not a good idea +

S5 Yes I would like to know if you know what Brazil represents in in the Latin America the volume of sales what if if you know the percentage this country represents

P1 It's not the kind of information we've been given it's not in the case study really +

P2 I don't know if it's in the case I can't remember at all do you actually know

S5 Yes at least half

P2 Oh is it

P3 Of the total in South America market

S5 Latin American market yeah

P1 I suppose the reason why um I think I think they already have a presence if if not a wide presence um I think because of being very unstable the problem is of actually financing arrangements are more difficult for example if you're going to expand into say for example Brazil then getting local finances is quite difficult because of the high inflation rate (S5 Can I) and very low interest rates

S5 But it's it's dangerous if you see here Avon has 38% of the market share in Brazil and you forget this

P1 No I I mean this was actually to put all resources in we have resources in there already if we have to choose \\\

S5 \\\ If you don't invest other companies are going to Brazil to invest because it's a huge market

P3 Yes

S6 I'm just curious if any of you were familiar with the Avon products to start with (laughter)

P1 No

S6 It's quite refreshing it's my third year on the MBA and so many case studies are involved with Engineering products that I've never had any understanding of last week the shopping catalogue and this week with Avon you know we can begin some of us who are not from engineering backgrounds we can begin to understand what this is about and it's obvious you don't know (P1 Totally lost) and I think the thing about case studies is it's important to get background information if we don't know things I've spent ages trying to find out about chemical products and engineering products but you need the knowledge you can't just walk into a case study and start answering questions without a much wider background

P2 We learned something actually which is quite interesting about Avon owned Georgio which we didn't know before (S6 Yeah I didn't know) and produce Red or whatever we didn't realise that before we had an image of Avon as a really old fashioned company which have fairly traditional type products not current thinking

S6 Actually they have that image themselves at eh moment I just read yesterday they bought in a new advertising agency to modernise their image because it is very dowdy old-fashioned one

P1 Yeah + any more questions + right let's get out of here

Text 6

No presenters: 3

Approx. no words: 1700

Tape 1: 1.44 -1.50

P1 ===== That's basically all I've talked about product life cycle

T OK does anybody have any questions or comments on this + if nobody wants to start can I just ask going back to the first part where you talked about the eclectic paradigm um you said something about internalisation um now can you say maybe someone else wants to come in here as well what do you think Nike has been internalising and what do you think it has consciously not been internalising that's quite an important distinction to be made + would somebody like to come in

P2 I think maybe their sourcing

T Right

P1 Yeah it's like like um I think they had some problems with (inaudible) I think they had some problems with that so what they basically did was they went to Japan for setting the move to China later on to get a market I guess that's what they

T Right so it may be almost that there is a time there is a difference in what the ownership specific advantages are and they're actually developed over time (P1 Yes) and you might find actually that during the early stages 60 to 72 period it was really the founder of the company he really wanted to go into this business he knew something about it and had a feel for the athletics shoe market for instance and that alongside with that over that period there was development of the shoe design expertise so that was what was internalised and that internalisation didn't actually need Nike to become a multinational to become an international operation you might say the sourcing from Japan was expressly keeping that outside the enterprise developing a different form of relationship with with external enterprises

P3 But they did

{  
P2 Don't you think that during the development of Nike company that the advantages they had changed and they had to change with it like the ownership specific advantages aren't constant like during the development of Nike (T Right) and how they had different and distinct advantages that we were talking about in the case

T Right yes that's right so they had to change with the time and had to actually shift where they were sourcing from as well as a result of what was happening outside and in the first place they found that the Japanese supplier wasn't going to supply them any more he was going to try to sell \ to

P2 \ We were thinking that the company was actually at the mercy to the external environment as well (P1 Yeah we) because like you say whatever happens in the external market they have \ change



S1 I think when they entered when they entered into the market for sports shoes it was past the growth stage it was nearing maturity and so they had they had to become innovative and diversify to some extent to survive and I think that's reflected by their Esol patents and then their sponsorship of the Olympics

S2 I think when they entered they were in the growth stage when jogging was taken up in US and there was a health and fitness awareness and so they're there on a steep part of the curve

S1 Well it was very quick and it is hard to say what time what time they really went in perhaps at the beginning of the end of the growth stage but it went so quickly that you know immediately it's mature and they became sure that they'd got to diver\ sify

P1 \ They looked at the lean  
issues as well but they didn't do well in that they didn't go into that (inaudible) what they were basically into was sports shoes and that I think think what why they went into maturity was they had people like Adidas and Primas coming into real competition with them and they had to do something more because once you have too many competitors you have a mature markets as such you just have your own share so that's why you go into innovation and you get new shoes out

P2 They actually found there was not enough demand for the amount of shoes there was on the market so what they had to do was innovation innovation of shoes and price competition but I don't think they + \ were

T \ Right I mean but there was a rather specialist market segment wasn't  
there of the sort of professional runners if you like of professional running shoes and they were actually trying to widen this base to all the joggers and that would have reached a maturity stage and at that stage then it is possible as it happened in this case that would actually they would actually through innovation try to extend extend the growth stage of the product life cycle

P2 It seems they have done that eh with the (P1 Air soles) new pump shoes and

T Right right so that's a qualification of the product life cycle in general and in particular with the international product life cycle again that's that's a possibility that they might exploit it um the other aspect of of international product life cycle is of course changes in location um moving to low cost production and that's a question of having a technology which is footloose in the sense that you can actually take it somewhere else where labour costs are lower and that's quite an important element in international product life cycle I think one other factor is we shouldn't really be thinking in terms of just one product because the standard model of product life cycle just talks about a single product whereas Nike now has a range of products and maybe different products are at different levels in the product life cycle and that has implications for the amount of sort of research and development input that is required into it the amount of marketing effort that is required in it as well as where the location of the production is going to be

P3 Another thing we usually say talk about product life cycle being used to gain competitive advantage in the case of Nike the product life cycle how would how did Nike gain

competitive advantage if one looks at sourcing and say it would gain competitive advantage in that respect that's how product life cycle contributed to its competitive advantage what do you think of that

T Yes anyone want comment about this it's really combining 2 things wasn't it that it had its name and associated with that the sort of high quality image on the one hand and it was matching that or combining that with low cost production so in a sense we are thinking of differentiation and cost leadership etceteras that kind of relationship finds a great start in the circumstances actually by going to both those extremes it has been able to maintain its competitive advantage or actually improve it for a time

S3 You're also taking product life cycle as a absolute in this case because what you're looking at is a is a different number of products introduced strategically to counteract its notional life cycle and they do that by by diversification and introducing elements into into shoes going into the concept of sports but into different products really

T Right so there's a range of products simply in the shoes market but also diversification into other related activities + ok any other questions or comments before we go onto Nike going to China is that right who's going to talk about that

Text 7

Number of presenters: 4

Approx. no words: 1320

Tape 1: 1.54 - 2.02

S1 Well I think I think particularly Hanson has been picking on very mature industries and there was a recent article that I read which points to that they're going to have some problems because the mature industries are very well you know for a while but you can only do so much re-structuring and certainly in recession you've got problems where if you have too much of one type of industry you know big long-standing industries that have been going for a hundred years you have an imbalance as to the question of whether conglomerates are a thing of the past maybe Stefan can answer that (general laughing)

P4 That's similar to our views we've been discussing it anybody else want to chip in Ahh Stefan

S2 I think one point that I know it's rare for you to have the pleasure of hearing my voice but nevertheless one point which I think needs is worth raising you mentioned one of the strengths of both these companies was its chief executive director Lord Hanson and Lord White (P3 Owen) Owen that's right by the very nature of them being the main individuals concerned with the success of these what happens when they reach the age of maturity as individuals and decide to leave or whatever they might die or whatever happens I mean that I would suggest is a major weakness that I would suggest is a major weakness

P3 Well I mean in both cases they'd be replaced and the evidence would suggest that there would still be Hanson here with their xxx of subsidiary the guy is still very much in control and has decided the price he'll pay and beyond that he won't pay even though they realise they want to diversify out of the UK and the US so I would suggest yes there is a risk but he's probably been well groomed by Lord Hanson and knows exactly what's \ required

S2 \ But the point that I'm making is that you're saying that's the strength of the organisation (P4 Has been yes) at BTR the chief executive officer is that particular charismatic individual without that person will the company continue along the path it's trodden so well over recent years

P4 Stefan that's why we've asked the question because of that yes there being room but have they got that get up and go and impetus or the vision that Hanson was looked particularly to do that particularly the acquisitions my feeling is that Hanson will probably still be knocking around till the pops is closed as they say in Yorkshire eh to feed in advice as a businessman and still keep an eyes on what's happening in the market

P3 A question

S3 Aren't these companies though just aberrations of the system that creates them it's the stock market system and the pension houses and big industrial share holders that create companies like this because they do is they go along to these big shareholders and they say if you give me your shares in this company I'll make them perform and earn you more profit next year and until the old system is changed whereby the big industrial shareholders don't behave the way they do the days of Hanson and BTR may come and go but there'll be another one come

along there'll be another entrepreneur to appeals to these people who own 90% of the shares and whatever it is and they'll run the system BTR and Hanson aren't they're just just the outcome a of a system they aren't in their own right a significant issue the issue is what creates them surely

P4 We actually \ felt sorry

T \ Um that's alright I think yes I think you've made quite a good point here although whether within the context of sort of the strategic management programme the issue is how are these companies managed how effective are they can they continue to be effective I agree with you in you know in a wider forum then you might say yeah the issue is eh the system that eh that eh creates this kind of business I think that um I don't know whether I someone sort of inferred that Hanson was charismatic I hardly think he is um obviously an individual can play a very important role in a business without necessarily being charismatic Hanson obviously had the power liked the power and obviously had considerable skill in doing a lot of the work in other words being able to offer a very interesting package to owners of companies and if you the few instances when Hanson says publicly anything or allows himself to be recorded saying anything publicly he will be talking essentially about the shareholders as you know the important element in the Hanson equation shareholders 1st customers 2nd employees 3rd is his is his hierarchy and um the I'm inclined to agree with that idea that alright if Hanson and BTR in the sort of current way in which in which the economy is organised if they were they were to decline then they would in a sense be replaced by some other organisation of a rather similar type and you know in way you only have to think people have been through Hanson and come out very successfully like a guy I used to speak about who runs Tompkinsons Tompkins I should say Greg Hutchins so Hanson like people can be created and the man who's taking over Bonner who's taking over at Hanson which he has been chief executive at Hansons has been there for a long time but of course again a the previous speaker said all his skills I mean the skills aren't created in organisations the skills aren't you know in creating products or creating creating customer value or things of that kind the skills are you know are essentially in being able to name the share prices of these large investors and I think of course increasing them I think I don't know if anyone here saw that television program about Hanson about three or four months ago I forget which series it would have been I did make a video of it which I've got here obviously we can't look at it this morning but it would be useful to look at it sometime increasingly Hanson's profitability is coming from the way in which the company reduces its tax burden by so to speak I better not use the word laundering in public here but at least diverting routing its profits through Panama through Panama so however that's rather a long rigmarole final point I agree that then the conditions then give rise to conglomerates of the BTR Hanson type is of interest it isn't particularly the business of this particular course to look at that I think we're very interested in what our speaker tries to bring out which was essentially this distinction distinction BTR and Hanson it's the big thing to look at the similarities or differences we want to make up our minds about that and again the whole question of the general management of conglomerate businesses how is it effectively done what can we learn in these cases that can contribute to our knowledge in the area +

S4 I want say I want o disagree with xxx If you are talking of xxx

T Oh no I agree with you I mean I think the factor that will cause Hanson for example not to be successful or to be less successful in the future is the fact that it is not capable or the structure is xxx and that brings me nicely to a little announcement =====

Text 8

1 presenter (representative of group)

Approx. no words: 1330

Tape 1: 2.02 -2.10

P That's basically all at the moment any questions

S1 Which method would you suggest would be best to reach these people door to door selling or eh retailing or

P I've no idea (laughter) eh basically door to door door to door is a tried and tested method obviously that would be the first line of approach but there's such things as doing background sales or creating subconscious messages through various forms of advertising so that the people are more receptive for when the person comes knocking on the door

S1 Why did you think the international market was the better one to invest in given the limited resources than retailing

P Why not

S1 Just I've got my thoughts on it but

P Right basically the US is actually going toward a stage where it's actually maturing either they're going to have to create new segments in there such as teenage markets or go for male grooming in a big way to get ahead but like \ \ it's

S1 \ \ International the international door to door type selling or retailing or

P No it's all actually specific to each section like the analysis we actually carried out we can get this on the screen (puts on OHT) eh basically every country uses different methods there are some common things that they do actually go for but in the Pacific Rim you've got sort of like cosmetics high quality jewellery vitamins and conservative lingerie tastes very between the pacific Rim and Latin America where they go for glamorous lingerie in Japan and other places they're going for promotion initially mail order methods and they are going for the door to door customers as well But distribution they're going to small towns and rural communities and they're making progress in these countries many other factors have to be considered and obviously you can't I don't know anything without sound financial analysis as well so it's not just these factors that are going to swing any decisions

T In the retail sector they're much more competitive so they'd have a lot more problems getting into that

S1 Aren't they already there among some big names

T To an extent yes but if it relies heavily on advertising that'll mean another slice there

S2 There are higher margins there aren't there

T On the retail side yeah does anyone know where Avon is in the league or who's top of the league as far as as far as \\ big

S1 \\ As far as

S2 {  
\\ L'Oreal

T L'Oreal yes and whereabouts \\ was

S1 \\ How about Unilever was it

T You've seen this have you

S1 We've seen something we've seen

T Just have the overhead on that gives you some idea it was number 6th these are from 1989 figures it just gives you an idea of world world wide sales

S1 I'm just curious about door to door selling I would think it's going to become really passé given the fact that you can ring a bell and not find anyone at home because people have to work (P Yes but) and also because of crime rates people don't want strangers at their door it's a different decade since you know when Avon was successful do you know I don't know if that's changing things

T Certainly door to door is looked at as a down market side but here will be a segment there whether you want to continue to position yourself to meet that segment is obviously a strategic question

S3 There's a company called Betterware which has won best (T Yeah) small company over the last two years

T Yes yes they do very well

S3 Door to door plastic products

T Yes I mean you've got to work harder and as we said the margins are lower there but it's there and if you're into it already you may decide to consolidate it

P But it also depends on how you go about it if you choose door to door representatives who are actually people from that community who can identify with and who can actually speak Spanish because there is a point that sometimes people in these houses that they go knocking at can only speak Spanish because the English speakers are at work you know or something like that they have to have angles that they can actually use +

S4 One question in terms of a dilemma that I saw between is this phrase think globally and act locally but if you're trying to put a global image over in one country you're selling lingerie in another country you're selling pre school toys in another it's make-up in others it's a mix of the

lot if someone were to ask Avon what business they're in what would be their answer + it doesn't stop them being successful but it contradicts some of the stuff we read in text books to a degree

S5 I think their main core products are like cosmetics but the others are just like support products like if you're going to somebody's place you can easily sell a toy as well \ \ it's

T \ \ It's  
how far you take brand stretching seriously I mean if if something succeeds then you can take it if it it doesn't then then you can stay fairly flexible

P Um um I think its quite \ \ clear

T \ \ And also I'm sorry I think you're quite limited by what you can physically carry as well in these sorts of situations or you can do is the Betterware way of doing it and then follow it up by post if you can leave something physically with the customer that is far better than giving something on promise so you're fairly limited in that respect sorry

P I think the company's core competencies lie in cosmetics (T Yeah) everything is just peripheral after that

T I don't think we dispute they have to stay with their core (P Yeah) core core selling lines

S5 I mean sometimes when you're doing door to door selling I mean if you have a couple of products I mean if you say straightaway I'm selling jewellery or something and people turn you back you say right I've got toys as well and that's where you open your bag and (gesture)

S1 Avon doesn't sell they don't have the products there either they have sample they sell like Betterware they have catalogues that they leave you tick off what you want they come and collect it

P Yeah I think it is quite dangerous to actually say you've got jewellery because you might end up getting mugged or something (general laughter) not very productive for anyone is it

S5 I think cosmetics is a bit more personal you need to give advice face to face you can't choose tone colours and stuff if you're not knowledgeable in this field from a magazine I mean if there is someone who is an expert in front of you and you say what colour would suit me or what kind of tone would suit me

T As far as what you're actually selling is it the cosmetics or is it the personal service that you're actually selling and is that something that could be developed more

S4 Well that's the thing I was leading to are they perhaps getting towards becoming a home shopping organisation with the products they get gradually expanding

T You could imagine literally a travelling shop going back to those sort of days but I think both groups picked up the main point about == (Tutor makes summarising comments and evaluation)

Text 9

No. of presenters: 2

Approx. no words: 500

Tape 1: 2.10 - 2.12

P2 ===== that's it folks (clapping) no questions are there questions questions my group are at the back by the way you can address all your questions to them

S1 You mentioned about the family experience (P2 Yes um) if they're actually trying to tran to sort of have transitional period between the family experience and the people who are already there would that not turn them of bringing kids in and \ eh

P2 \ Well we talked about that and we suggested that they had like time of day differences so typically you offer mothers with young children perhaps an 11 to 1 lunch or something like that and a 5 to 7 family special so that you didn't actually Americans have strange eating habits in the sense that they tend to have this happy hour thing and they all go in for about 55 cocktails on the way home so you'd have to be careful that you didn't have overlapping experiences

S2 One of the things I was thinking about in this country they use the happy hour exactly for that to bring the kids in between sort 5 and 7 (P2 It's not the) and that clears the restaurants out and but in the States it's the happy boo\ zing hour on the way home

P2 \ I think the trick is like to split the times so you get different people in at different time and perhaps change the menu as well

S2 I was just working on just how long would they actually stick with the I am me group before they actually tried to work out \ the transition

P2 \ Well not long and that's the point

S2 OK

{

S3 But the kids will grow up anyway and that will be the next generation of I am me

P2 Yeah thank you

(general laughter)

S4 Do you think do you think that the going for achievers when they're trying to put across a value for money aspect surely the achievers will be looking for a little more up market

P2 Well even even achievers want to have to feel they're spent their money well value for money doesn't necessarily mean cheap it means my money has been well spent so even if you're an achiever and you've got lots of money to spend you do want to feel it's being well spent and there's nothing worse than going into a restaurant and feel you're being cheated as I'm sure we all have at one stage or another so value for money doesn't mean like a quick save it means I get what I pay for + next

(Clapping)

P1 We've finished

P2 I think we've finished

Text 10  
Number of presenters: 3  
Approx. no words: 500  
Tape 1: 2.12 - 2.16

(Clapping)

S1 (==== tape break) Tarmac is a kind of certain mature industries that can only really grow in a growing economy the housing industry the property building materials quarries they all require a growing economy with the possible exception of quarries if there is a high capital expenditure by government on motorways research or road building programs

P3 I would agree with that um Alan but I think they probably would have been hit less severely by the recession had they anticipated it and changed their structure somewhat they inevitably their figures would have gone down but perhaps not so dramatically degree I would suggest

S1 So do you suppose then that as a financially controlled company that they would probably obviously retain themselves a financially controlled company through the difficult times do you see that they are likely to change to say a more strategically planned or more strategically controlled company

P3 Yes eh the new management that's been brought in will have um will have a great integration within the group and there'll be more strategic planning coming from the top now yeah I would say so

S2 (case group but non presenter) one of the things we looked at we said that finance was a tool for strategy not a strategy itself and we felt we mentioned we focused quite heavily on that and xxx

(S1 nodding)

S3 Don't you think though that approach might affect its share performance that you related to which had obviously done so very well in 1980's? +

Ps (laugh)

P3 Yes Steven Thank you

T What had you in mind

S2 Well I was just thinking of the the future of the company in terms of its value if Lord Hanson has an interest in it he will want to keep the share value depressed so he can acquire it as asset stripping on the other hand if the current board wish for it to go forward in line with the strategy that you propose then they perhaps will require quite a lot of investment for the future and of course if it's been performing very well going back last 5 years' investment within from the City wouldn't have been a problem but based on its current performance investment might be a problem

P3 Um I missed out a bit in you hurrying but they proposed that in the next 12 months that self generating funds without getting anymore investment in that the quarry products division would be maintained at 1991 level um that Tarmac Construction activities be maintained at 1 1/2 billion and the housing division can move up to 10 000 units per annum so there can be some growth there for return of generated funds even wit the cut in debt the share as for the share price I think the better the bids will actually is raising the share price at eh moment so it will work against what you were asking  
(Smiles)

T Right thank you very much let's have the next group

## Subgenre C: Non Presentation Discussion Classes

Text 1

Approx. no words: 3250

Partial text (beginning)

Tape 1: 2.19 -2.40

T So did you have a look at these questions did they seem terribly frightening or not

S1 Eh except for question 6 just one part of it we don't seem to have covered this terminology

T That's right yes I think that was the part where I I referred to a particular section of eh Danet but we can go through it today and eh you you might want to go back to Danet at that stage well apart from looking through these exercises which provide a bit of revision eh for the exam I'm here also to her any other problems that you have that you want me to go over again we'll be looking first at questions 1 to 6 first today (S2 good yeah) and then questions 7 to 12 next week um so before we make a start on these do you have any any other particular topics on the eh say the first half of the lectures that you would like me to deal with as well today

S2 My only suggestion for a request is that if we can as we're covering the 1 to 6 if we go numberwise you know and

T Just go through them as the numbers (S2 Yes yes so) and there might be some other additional questions that arise out of that ok \\\ lets

S1 \\\ Certainly from my point of view it's the interpretation of questions (S2 Discovering) determining how what you want if you want us to put down

T Fine yes I think that is the problem and in one or two of them certainly one certainly I have there is a problem of interpretation and that's more of the terminology and I think we should be able to clarify it right then let's then start with \\\ eh the first one

S3 \\\ Kirit can I just say something we walked over from the Nelson Building there's a sign at the bottom is a little bit misleading because it says M100 G09 in the North wing

T Ah well that's a sign that has superseded me because (S3 Right) because the lecture is going to be in G09 today

S3 Right I think some people are confused by that because we've just gone over there thinking the tutorial's there

T Right Was there a sign above the tutorials on the door

S3 No

{

S1 No it's still in the room in the Nelson Building

(long exchange about rooms and not transcribed)

T Right That's the building lecture theatre

S3 Right

{  
S1 Yes

T Right so who is the first question value added I think it might be a good idea if we go around the class people going around might get the chance to answer the questions and then we can sort of wind the discussion around some of these questions depending on the time we have

S2 The value added is the total value we have minus the materials and services cost

T Right value is simply the (S2 Turnover) sales revenue or turnover of cost supported materials and services and how about then the notion of gross domestic product at market prices would you (gesturing) like to

S4 Is it the value of all the goods and services produced for the domestic \ market

T \ Right domestic  
that's right yes

S4 So it's so it's consumers' expenditure and government consumption eh +

T Yes that is the expenditure on the expenditure basis um and eh you might say that in a question of that sort you are actually being asked to produce some kind of a link between value added and GNP the notion of value added can be linked in this that is to say one way of measuring eh output and eh a way of eh measuring that is gross national product eh I think you're right to raise the to bring out the expenditure categories because in fact the GDP in market prices would initially be actually estimated on the expenditure basis rather than the output basis +

S1 That's including taxes and subsidies and things like that

T That's right yes because it's on the expenditure basis that the that various items that actually include the taxes indirect taxes less subsidies whereas of course if you look at the output basis the value added initially starts out by being a de facto cost basis ok so I mean in that sense there is a question of saying value added is this term why is that and why is it used in economic national accounting because it is the actual basis of actually building up the GNP on a output basis and it make sense to do it that way because in a sort of market based economy that provides you with the value of the output that's produced without double counting

S2 So it is a value added on the expenditure basis

T No value added will always be related to the output basis

S2 Then you relate it to the output basis

T Yes but in the national audit accounting you can have an income basis in GNP and then you've got the distinction between factor costs and market prices +

S1 On the practical point practical points of view (students arriving) on the practical point of view you'll be getting a certain amount of marks for that kind of question would it be a difference whether if you just give the definition or whether you expand it on the loss of marks

T Um I think that in nearly all cases it would be fairly clearly indicated whether you insert a letter or a phrase or you are asked to explain in 20 words or whatever + I think that would be clearly indicated

S2 If GDP can be explained as it were an indicator of a country's economy would it be acceptable an answer

T Um I mean if the question is what is the GDP (S2 Yes) then that would be a part of the answer um but it eh depends very much on what the question is are there any with regard to the gross domestic product and its measures definitions and so on are there any other questions is there anyone else have any are you all happy about it what about this idea of it being an indicator of the well being of a country do you think that's a reasonable measure Are there some qualifications to it +

S3 I actually stated it somewhat differently I had that the value of national product was eh what we defined as the value added the total value added in the economy the price the market was prepared to pay plus the value of exports of goods and services is that incorrect

T Um when you say the market it's in fact if you're looking at it on an output basis (S3 Yeah) then the prices that eh the market is willing to pay might actually include the domestic market as well as the foreign market (S3 Right) ok so when you when you look at a measure of value added some of that sales revenue may actually be from outside the country (S3 Right) it doesn't just have to be within the country the domestic does not mean that it has been sold in the country alone the domestic term actually represents the fact that the production is within the country (S3 Yeah) that some of these goods may be exported then you've got the difference between the domestic and the national which takes into account the fact that some of the articles produced in the country might go out in the form of property income and then there might be property income coming in

S3 That would still produce the equation I have given you would still produce the GDP because it would include the value of exports wouldn't it

T It should include the value of the exports yes

S3 Yes so that would be a correct way of approaching it

T Um I'm not sure whether I'd want to specifically separate it out as the value of the exports (S3 Right) because the value of the exports should correctly appear on under the expenditure column as a separate item (S3 Ok) on the expenditure basis then we have expenditure by consumers government public sectors expenditure which would be current and malleable investment expenditure investment in stocks and then exports and that will give you the total final expenditure then of course you have to take out imports from that (S3 Hm) to give you what is actually spending on what is produced in the country

S3 Right

S5 So could you give us a definition of what you of the GDP on a output basis then because I'm getting a bit confused the more we go into it

T Right that's very dangerous do you remember the the diagram the table that shows the GDP output basis and expenditure basis the output basis is the sum of the values added of all employers and of course in that table we simply don't show each individual adding up of the employers but we put by industrial sectors so all the employers in industrial sectors then we have a couple of adjustments if you recall in there one of the adjustments is of course the ownership of dwellings cause that's a kind of asset which provides some value and then there is adjustment of financial services which is a technicality we don't have to worry too much about at this stage

S6 The fiddle factor

T Sorry

S6 The fiddle factor

T It's not exactly no the fiddle factor that's a residual error this is an adjustment this is an adjustment because the values added of the financial sector are not very precisely they don't match precisely the way in which they are calculated for the non-financial sectors depending on the financial services um So that's adjustment then of course the other thing you ought to bear in mind we talked about the market being important in determining what the value added is there are going to be a number of sectors where there isn't a market and that's where we might say the fiddle factor comes in again in that there is a convention used to say that those who be the value of their output is calculated on the basis of how much people are paid when they are employed and some allowance for the capital elements as well

S7 Does that include an allowance for those items that aren't shown because they're actually consumed by the producers themselves because if you do it in terms of value added at market prices if somebody produces something and uses it himself it's not actually going \\ to show

T  
Yes that's right

\\ Show up

S7 So is that included in the GDP count

T Well I think the way that would appear is that these are the materials and services that have been bought and for the purposes of the GDP count they've just disappeared into this firm and what has come out at the end is a value added so it ignores the fact that something have been wasted in between if you see what happens

S7 But wouldn't that mean that it would actually show the GDP lower than it really is

T Ah not really because it will be shown as something that is bought by that firm

S7 But they may have added value to it (T Yes) before they consumed it themselves

T Ah well if they've done that then again the idea is what is the purpose of this enterprise is it just for its own consumption the the definition of enterprise is therefore for producing output and so if it does any consuming that output is not revealed by the thing it's assumed that for it to produce this output it has to do some consuming in the process so you can very well say that I think the company cars and the smart carpet in the eh MD's office are part of cost aborted materials and services but you could perhaps argue that perhaps doesn't add to the value of the final output + right we actually dealt with quite a few of the issues there so let's let's go on to the next question and that is where I think there may be some definitional problems um the um probably the best thing for me to do here is put it on (puts on OHP) well perhaps someone would like to tell me first of all how they tried to answer that question would you like it try that one

S6 What I've done is rightly or wrongly taken off to 15 15000 million isn't it taken off that 25% for the increased imports which brings it down to 11 25 million taken off 30% for tax which takes it down to 787. 5 million taken off 5% for savings which brings it down to 748 which is left unrounded 748 rounded that up to .75 as a marginal propensity to consume and then used a multiplier calculation  $101 \text{ minus } .75$

T Right (S6 .25) I can see entirely what you have done it like that I think I have perhaps confused you because when we looked at the example with different leakages we took them out at each of the levels what I intended to do in here is actually much simpler than that to say that each one of the marginal propensities is related to the initial increase rather than each one coming out of the residual which is what you would have done which is quite sensible so in that case then we would simply have here the it will be 0.5 for the MPS and then the marginal rate of the I'll call it the MPI which is the marginal propensity to import will be simply 0.25

S8 (& others) Shouldn't that be 0.05

T Yes of course it is yes thanks and then the marginal rate of tax which is simply 0.3 there (S8 0.03) So then all these add up to 0.6 which means that the marginal propensity to consume is 0.4 because there's a 1 minus all those leakages and then that gives us the modifier which is just using that formula the multiplier is simply  $1 \text{ over } 1 \text{ minus } \text{MPC}$  or in other words  $1/1 \text{ minus } 0.4$  and given that multiplier number whatever that is you multiply by 15 hundred to give you the answer

S8 It's 1 and 2 thirds

T 1 and 2 thirds that is ok any questions to do with the multiplier the market propensity to consume the consumption function + savings or so on

S6 Is that the only answer you want the actual 1 point something you don't want \\ the the

T \\ No I think the answer here I've haven't actually gone through the calculus all I've said is that the level of income of households increases by a 15 hundred (S1 Right so you want) 15 hundred multiplied by 1 and 2 thirds (S1 Right) ok I've got the solution notes here as well I'm not saying that's the model answer but you'll have the benefit of my answers then and mistakes

S1 So how would we I mean this is a typical situation from very beginning how would we know what you would want because it doesn't seem logical to me that to do it that way (T Right) because if you are enforcing pay more for imports it's not going to come down to the individual is it so they're not going to be able to have (T Right right) that benefit of saving (T Well) points of the 5% of the 15

T Right that's why I said I agree I can see why you did it that way and that's a sensible way of doing it all I can say about that is that it is a question I will change next year to reduce the ambiguity of it If I were to ask a question like that where I wanted you to take you to take it out as a residual (S6 Hm) then I would expect to say very clearly that the first stage is that this much comes out of tax out of what remains then so much is saved and of what remains so much is imported and so on I I don't clarify it and people do in different ways then it is my fault and I've got to put up with it right any other questions with that general topic + right then let's have a look at the next question um which \\

S7 \\ Excuse me

T Yes

S7 I was going to ask you could we be asked to define the exam propensity questions like propensity to consume

T Eh you give (S7 I'm just saying) me an idea it's too late for exam there could very well be a question like that yes and I thin if you look at the previous years' questions there are questions like that very often with questions like that I've either given multiple choices (S7 Hm) for you to look at or made a statement and say do you agree with this or not

S7 Ok

T Ok which is easier in most of these cases than you having to define it but there will be times when you and not just with propensity to consume but with other questions as well you you may very well be required to define something and write explaining what a particular concept is ok I think I'll stay here for this + the next question on price lasticities and cross lasticities you're given this information and the table different price lasticities different cross lasticities and to draw conclusions for what could the pricing policy be for London regional transport would somebody like to make a start on that somebody who hasn't actually spoken yet would you like to start on that question

S8 No I wouldn't (T Oh) actually the reason is I was abroad last week

T Oh I see that's fine (laughs) how about you

S9 Me

T Yeah

S9 Well I tried to draw some some graphs to try to get myself to understand you know the relationship of the PD and London Underground and the bus travel and I started to find that difficult because it's the opposite way round to normal gradient isn't it +

T Yeah

S9 The increase in  $y$  is upside down so anyway I kept on re-drawing it to get the hang of  $y$  but anyway basically if I'm interpreting the graphs correctly what I came up with is that the demand for underground travel was more inelastic than the demand for bus travel (T Yeah) therefore it's less affected by changes in price um all the cross price electricity cross price elasticities demand bus travel and rail travel are positive and therefore substitutes for the respective goods of the other services rather eh and I then said if bus and underground fares rise by the same percentage the increase in bus usage would be higher than that of the underground so that the bus travel is more of a substitute for the underground travel than vice versa

T Right yes I suppose it's clear that they are both substitutes but there is much bigger change for a given price change in one direction (S9 Yeah) than another which is what I think you're saying

S9 What I'm saying yeah

T Um I suppose the other thing is that clearly London Regional Transport are going to be interested in what happens to their revenues and the implication being profits because in fact the additional cost of passengers might be very low on a scheduled service on the basis of these elasticities so bringing the revenue element into it what implications do you think these elasticities give for price changes

Ss xxx

T I take take your point you've made the general observation so that's fine + I was just going to see if anyone else would like to add to that

S2 If \ I

T \ I um I was just going to see if someone who hasn't had a chance yet so would you like to try

S10 I didn't try that one

T All right anyone else would like to speak from the background + no ok let's give you

Text 2

Group discussion: 3 students

Before arrival of tutor

Approx. no words: 2760

Tape: 2. 40 - 2.55

Students discussing set questions

S1 Allright let's go so first using the innovation for Air Data system Air Data flight planning system what did you say

S3 Right as far as flight what was it called Air Data was concerned it was internal (S1 Yes Dan Air) this chappie what's his name

S1 Charles Deal

S3 Charles Deal worked with Dan Air itself (S1 Yes) developed the program and it was sort of commercialised and utilised by Dan Air and then later patents were developed

S1 Was it commercialised by Dan Air I don't think so in fact it was just first was in internal use

S3 Yes it was used internally and then they go on to say that Dan Air system is used except for British Airways they all the other companies airlines are using it

S2 But a branch of Dan Air then split off and became Air Data with the rights to for the software

S3 Yeah it says then Air Data then markets the system to the other airlines so you have these two people within the company who developed the program and they split from the company and formed their own which was called Air Data yeah which it says on the second page

S1 So what do you think the source of inform of innovation is it more I think it is more the need that exists in the company in any company in the UK because at eh beginning of the case we just know \ that it

S3 \ Yeah I thought that the need the latent need was there in all the airline companies for an information system to be developed and it wasn't there and realising the fact that it wasn't there the research and development department of Dan Air wasn't doing much about it this person (S1 He he) who was a pilot developed it himself (S1 Ok) so when you talk about the source of ideas used in innovation this source would be internal

S2 This case study is out of date with the exception of British Airways over 50% of UK airline flights depart each day on a data flight plan (reading from text) British Airways owns Dan Air so they're probably \ using it



S1 That's why I said the management was not very good in internal relationships (S3 Yes yes) because \

S2 \ They let him go

S1 Yeah they let him go they should have told him ok your idea is very nice very good and so you have to develop it for Dan Air and then together \ we

S2 \ No I think the fact is that they didn't actually let him go they didn't realise the potential of this invention if they had they wouldn't have let him go (S1 Exactly) for instance if I'm working for NCR and I make make a computer system or something that really nobody's using using NCR even if NCR don't launch it commercially they're still going to going to retain it even if I leave the company when I'm 50 I retire or something I go and get another job I can't take it with me the company owns the program (S1 Yes) and if they recognise the program they will own it then they won't they can't they own it so they didn't actually recognise this system as a as a product

S1 OK

S1 That was the problem they didn't recognise it if they had recognised it they wouldn't have let it go the law would have says quite clearly that you are not allowed you are not allowed to take it away and sell it It's like it's like if I leave Aston University and take all the photocopies of the marketing lectures and start teaching it (S1 With these) at another college with these same things I mean it's against the law it would be illegal for the person to leave with that product and sell it somewhere else But they didn't recognise it and that was the management fault

S1 The management \ didn't see

S2 \ That was the fault of the management yeah let's go what's next question next point

S3 Would you put it into any of these categories that he taught us in class today though

S2 Um +

S3 Is that essential or is it just

S2 Well I think that as he's an ex-pilot he eh he didn't get the the the information from the customers because they don't know the technicalities of the flight paths and so on but he obviously got the information from the preferences of other pilots yeah

S3 And from his own previous previous experiences

S2 Yeah and from his own experience

S1 Yeah but  
{

S2 It says here very clearly that the pilots were frustrated by the lack of development in the research and development department and asked if any of the flight crew knew anything about computer programming (S2 Right) so this was a problem that existed (S1 That's why) everybody knew it existed and the management didn't have the insight to enforce or pass to the research and development department something about it

S1 What I can see here is like there is a lack of management (S2 Well management) in each company (S2 There's obviously) because no-one took care of the problems of the pilots

S2 There's not a tech At Dan Air there's not a technical manager so to speak I mean there's someone on the ground crew there's someone who does the marketing and what not but Dan Air buys the planes from other organisations who make the planes yeah and there's not \\\

S1 \\\ Yes but why don't they develop the program

S2 Exactly they should have been but the top management is really they were obviously more concerned with actually filling the seats of aircraft rather than the comfort of the pilot

S1 I don't know I hope they were aware about the pilots

S2 Well pilots drink heavily ok

S3 Right we can move to +

S1 Let's look at Steppe because I think it's very interesting to see because in this case we saw that the pilot was \\\

S2 \\\ Roast beef

(laughter)

S1 That a pilot knows the needs regarding the plane but in Steppe case it is a guitarist player and he thinks that guitarist players have got need for a new guitar like a synthesiser but he's wrong in his thinking do you do you know what I mean \\\ there a good co-operation

S2 \\\ He couldn't  
find a market he made a product without a market in existence and he couldn't

S1 Yes the market was not in existence there is no market

S2 The market didn't exist because there wasn't actually a need

S3 Do you think so

S1 Yeah

S3 As far as guitarists were concerned they did want a way of playing the synthesiser without using the keyboards so as far as professional players were concerned they were interested in a system like this \ that's what I see

S1 \ Only the professionals

S3 Only the professional that's right so it was a very limited niche market and they should actually have targeted to that

S1 And then the problem was like that Steven Rondo Mr Steven Rondo didn't know how many there were ready to pay for this because he developed this like a very expensive product he made it he stressed the product the quality of the product.

S3 I agree with you actually eh he \

S1 \ The problem is that he he tried to develop a product made for his own needs than the needs of the market

S3 But he himself either he identified himself to belong to the niche market (S1 Exactly) of the guitarists he himself was I think a musician or guitarist (S1 Yes yes) right so he was thinking to his needs assuming that the public or the population had the same needs (S1 Exactly) and therefore he went into it in a very different way he went I would say it was rather professional the way he went into it he subcontracted most of the work his company did a part of the research yeah and he subcontracted to the best people as far as quality was concerned they also mentioned that the subcontractor that was moulding the final assembly belonged was doing work for the Ministry of Defence (S1 Mm that means ) and because of that expenses were also very very high yeah and he had his suppliers there as well who had the money was being being supplied by Murry Technology Group so he had the finances for the project as well

S1 Yeah he had the finances but in a way \ what

S3 \ But the line of development didn't fall through

S1 Do you understand he's in an entrenched positioning fact because on the first on the one hand he's got finances from backers (S3 Yeah he got) from big companies in fact but on the other one he has to finance subcontractors In a way he's just in the middle of a process if one of eh person in the process is missing he's not doing his job he's then \

S3 \ Then there's a backlog in there

S1 Yes everything is do you understand me? (S3 He is I would say) the management of relationships is very very important and there we can see that he lacked in the management of these relationships

S3 I would say that he was not consciously involved in the evolution of this technology he was there as a stop gap not as a stop gap but he was there co-ordinating everything but not

involved totally for example you had financiers and then you had the company that was developing the program and the technology (S1 As a) and both of them were the person that was developing it the company that was developing the trust that was developing was an excellent trust as far as it was concerned because they did in fact set up a trust but again there was bad management their priorities were very different to the priorities that Murry had when the second company got a large order they just rushed the development of the guitar side that was the problem actually wasn't it

S2 One of them

S3 One of them so many problems it says parallel to the change of management structure came the problems of the sub-contractor

S1 I think at the beginning the beginning the idea is very good seems to be

S2 I'm not sure that such a large market exists (S1 No) for this thing I mean people who like playing the guitar they like playing it then people play the piano people learn to play the piano (S1 Yeah sure) and the keyboards and they like to sit

S1 \\ You know professionals  
like guitarist players they want to play the synthesiser to have the possibility to produce new sounds on the guitar because they're not able to play piano the piano do you understand what I mean so

S2 But what is it I'm not sure exactly what this um is it a keyboard

S1 No it's not a keyboard this is a guitar with strings 6 strings as all the guitars (S2 Yeah) and then you can have new sounds like a synthesizer like a keyboard but the fact that it is not a keyboard a guitarist can play keyboard synthesiser on guitar and not on a keyboard (S2 Yeh well) so you can do new melody with a new sound on your guitar because you are a good keyboard player (S2 Yeah I know) you couldn't do it on a keyboard if you're not a piano player do you know what I mean (S2 Yeah) so

S2 But generally I mean generally in professional music if you have a band ok I admit I do agree that if I play guitar and I play it and I do agree it would be nice to make my guitar sound like a piano or a flute or something like this Yeah (S1 Yeah) I mean I've got an amplifier I can make it sound like you know Iron Maiden or I can make it sound really classical different sounds so I understand the concept of making the sound into a different musical instrument but generally in in I don't see that that this innovation could succeed in the big musical market because because most people have a band they have a keyboard player they might have a guitarist and a drummer and they're not going to replace replace the keyboard player with a guitarist permanently

S1 It's not maybe a question of a band because in a way \\ a play

S2  
instruments I mean

\\ Yeah but who buys the musical

(tutor enters but group doesn't know who he is)

S1 The person who wants to play alone maybe at home (S2 Yeah) the guitar as well it's the fact that with the product you already have the guitar you can have have an extension a synthesiser

S2 Yeah but people tend to mimic especially in the musical world they tend to mimic famous people already yeah then if no-one famous is using this product then everybody'll going to go ugh you know Dave Lee Rove doesn't use this system so I'm not going to buy it

S3 But I would say that as far as the market for this particular product is concerned the majority of the market would be amateurs who are buying a product and this product is a very expensive product because of the technical development and the money spent in developing this innovation so as far as out friend is concerned Steven Randal he was an entrepreneurial innovator but he lacked the managerial (S1 Hm hm) experience required for this process (S2 Hm hm) and the reason I say he lacked professional management was as far as initial investment was concerned there was a lot of money being funded he had finances and he had people developing the product yeah but basically people developing the product lost interest

S2 Yeah because people developing the product didn't see there was a market for it

S3 Or maybe because they found a better thing to pursue because they can do make a mention here that they came up with a big larger order to develop something else and they just let that go \\\ let the guitar

S2 \\\ Yeah but that reflects the fact that there isn't an actual market for this product in such an extent because if there was a market they would have had a massive order on this product and they would have stayed with it instead they had a bigger market for another product and they went elsewhere

T Can I just interrupt I'm Steve one of the tutors

Text 3  
3 students and a tutor  
Approx. no words: 2280  
Tape 1: 2.56 - 3. 10

T Can I just interrupt

S3 Yes

T I'm Steve one of the tutors

S3 OK

T How far have you got

S3 Eh well we've started discussing the second case

T Yes

S1 We were before discussing the Air Data case first and we are discussing on Steppe

T Right did you say you read it through

S2 Yes

{

S3 Yes

T Can you see the link between all three is there a link do you think there is a link between the three

S2 I haven't read all three yet I've only I'm just we've done two of them we haven't done Nimbus yet

T Right well if you just you say you've done ok the first two then

S2 First two yeah

T Well can you see a link between those two in terms of the first one sources of innovation

S1 I think that between the first two one link is that both developed both innovators developed eh \ a system

S2 \ They were users they were current users (S1 Yes) one was a pilot and one was a musician and they both developed they both understood a need a personal need (T Right) and they developed that as commercial

T Right so you found a variable in terms of user dominated innovation

S2 Yeah

T So yes there's two instances of that

S2 Yeah

T Ok so can you see the slight distinction between the two though within that within that

S2 Um + I think one I think one was one was backed up before it was pursued by by opinions of other pilots (T Right) the general need in the in the flight market and this was developed because the guy liked the idea and he was a musician himself he didn't \\ actually

T \\ did he not have ideas from \\ other musicians

S2 \\ I don't think I haven't really done much I sort of I didn't really get the idea that he was doing the market research required so he didn't

S1 If we are talking about in terms of life cycles both of them are products there's a real need in fact because the electric guitar is an old product as well as the computer systems in planes are old products based on I can't remember algorithms no in fact nothing is new in the field

T Erm well I'll come back to that going back to what I was saying about the user innovator we're talking \\ about

S \\ I would say both would be customer organisations

T But they are but what distinguishes the two in terms of if you look at Steve Randal if you look at the two odd person that developed the Air Data product (S3 Hm hm) what do you think is the difference between the two people that distinguishes those two users

S3 I would say in one case I don't know if that's the answer you're looking for in one case the person developed the product himself and in (T Hm) the other case the product was subcontracted to somebody else to develop for him

T Right yeah that's that's basically what I'm getting at (S3 OK) but the first case Air Data

S3 xxx after that someone else is responsible (laughs)

T Air Data if you look at I don't know if you've got these with you but on page 177

S2 No

T There's a distinction between different types of users one's professional users and one's non professional users both these instances are cases of professional \ users

S3

\ Professional

users yes that's right

T They're both professional users but then that distinction is taken down a step further between professional users who have a knowledge of the technology and those that don't now you see in the first case eh Air Data they have knowledge not only on (S3 Yes) of the air statistics and stuff but also \ knowledge

S3

\ And know-how

T And know-how yes but in the second case he's a professional user but he doesn't have the knowledge of how to develop that product so that may be one of the reasons why one was successful and one wasn't that could be the answer I don't know

S2 Part of it yeah part of it I think although it was an interesting product it's a musical thing I don't actually think there was a market large enough to to really support mass development

T There could be many reasons for failure one way it could be price it doesn't look like it did its market research properly (S2 No) I mean it may have been the market but

S2 I mean there might have been if if um I mean if he knew that a lot of professional musicians um pop artists for instance have the same sort of idea and they wanted to have this product then fair enough I think it would have worked but it was his idea and no-one else was taking it on people tend to mimic musical artists you know like here's so and so he plays a Yamaha guitar organ or piano

T But it was taken on by Townsend and Steve Hacket so it wasn't just that the role models weren't taken on it was There must be something more and it probably organisation problems on top of that (S2 Yeah) as well as the problems that you're saying

S2 Well he didn't actually he didn't have much control of them because he was a single man and he'd sub-contracted whereas in the in the Dan Air case they eh they didn't didn't actually recognise it as a viable product they didn't recognise it as an innovation if they had recognised it they wouldn't have let him leave the company and let him sell it elsewhere because that would have been because by law he wouldn't be able to do that anyway (T Right) because if I went from here and sold these notes to another college they were recognised as Aston University notes that would be against the law if you didn't recognise these as your product then I could do it you know you wouldn't have that

T It might be they weren't interested in a product that wasn't by their core competence which was the airline industry (S2 Yeah) selling tickets \ but maybe

S2

\ Well they worried about

mainly seats they're not worried about the comfort of pilots

T There's lots of reasons then has anyone looked at the first case the \ eh

S3

\ Nimbus report

T Nimbus yeah

S3 I have read it but (S1 I've read it) I forgot it already .

T What do what do you think links Nimbus and Steppe together perhaps more than um Air Data if we look at in particular the second question which was referring to the internal external

S3 I would say Nimbus is external correct me if I read this a long time ago I would say it's external and it was developed by Halliday Dr Halliday and he joined Philips am I right

T I think

{

S3 As a researcher as head of the research department so it was eh

T Well it was partly developments internally (S3 OK) but it was an adaptation of external developments (S3 Right) so they had to take in knowledge and expertise from Sony and Philips to adapt their product so it was a combination but they needed that knowledge to be able to develop a working product and in Steppe you see the usage of external knowledge external suppliers components all sorts of stuff so that adds adds problems to the innovation process if they've got to manage the external you don't see that problem in Air Data because it's \

S3

\ It's internal (T Internal) yeah +

S2 I I I looking back in hindsight I used to live in Holland in the in the early 80's and I remember 1982 there was a Philip's CD player about this size in the shops I mean it was massive and it was quite an expensive shop it was rather large compared to the ones these days but they didn't follow it up I mean if I think if they had patented patented it properly I think they would have retained the rights for it they didn't seem to do anything (T Mm) I mean I don't know what what the legislation is for CDs but I mean if they'd invented it surely surely they could have done something with it I mean they tried to sell them but

T Well unless they took out patents they don't have (S2 No) any rights at all

S2 Yeah but that seems silly doesn't it It does seem silly well perhaps when they invented it there wasn't actually a market they needed needed the collaboration of record companies (T Mm) to actually produce records on compact discs for there to be an order be a market to sell CD players perhaps it was a wrong time they should have maybe invented it and kept it on the sidelines and keep it secretive until when they actually negotiated record contracts

T Well this does actually it does say this was patented by Sony and Philips so they must have got something out of it

S2 Mm

S3 Because they lay a lot of emphasis here saying it was developed internally to the business concern which gave them the opportunity to develop to improve the technology (T Right) and infer the innovation in developing the product

T Yeah what was developed internally was the technology turned out to be a tenth of the price of existent technology (S3 Right) I think the knowledge they got from Sony and Philips was probably the required knowledge to complete it really but eh yeah second paragraph it talks about incorporating a radical breakthrough in optical electronic design engineering so I think that's what they brought to the innovation so it was obvious critical knowledge that came from Sony and Philips to contributing + any questions + you talked about market opportunity earlier I think

S2 Yeah we did

T Do you do you there was market opportunity for any of these or do you think they were market driven or technology driven

S3 Air Data would be market driven I would say rather than technology driven because there was a basic need um

T You were saying a bit earlier that you didn't think Steppe was necessarily (S2 No ) market driven right ok and what about Nimbus

S2 Um + I think it was technology driven (T I think on balance) I think there was a mixture I also think that Air data was technology driven to some extent be\ cause

S3  
do you say that

\ Why

S2 Because the technology existed to improve flight planning of the aircraft for a long time they had been using computers

T But in the case the management asked the airline pilots if they knew ideas (S3 Yeah) of how they may improve it and the technology only provided a solution (S3 Yeah) it didn't actually provide the drive (S2 Yeah) so I see what you're saying but it didn't actually provide the drive for it (S2 No) in in terms of the CD player I think Sony and Philips probably have a technology drive there but in terms of Nimbus I think it was actually a market drive they saw  
\ a

S3 \ The market for \ cheaper products

T \ The market for cheaper products so it just goes to show that just because the user is the innovator it doesn't necessarily mean there's a market opportunity just because you're a user doesn't mean to say you can actually see the market opportunity as the case of Steppe (S3 Yes) it's debatable whether there's a market opportunity

S3 But he user himself is a part of the market he's a customer so I would

T Yeah that doesn't necessarily mean there is a market

S3 Yeah true but when you say technology driven they had to develop the technology as far as Steppe was concerned it wasn't there in the big names

T There was existing technology and existing components

S3 Yes there was \ \ but

T \ \ All that technology driven is trying to say is that it's the technology that drives the production

S3 Its commercialisation

T Its drive to commercialisation rather than market pull and market need that is being market driven

S3 So in Steppe's case you think it was not market pull

T I think it's an individual who who got an idea got attached to that idea and tried to push it (S3 OK so) but there wasn't necessarily even a market there

S3 The individual you wouldn't say is a part of the market then

S2 I think there was a glimmer of hope he didn't have the skills to enable his you know to to develop the need of a market that actually stimulate hey guys you know you need this if you don't have these marketing skills to show them that you needed it you might be able to sell it but he didn't market it

T All I'm saying is that tan individual is just one representative of the market and he doesn't necessarily know the whole market

S3 Well in Steppe case what would it be would it have been technology driven or market driven

T Both for him it was market driven because he was driving it as a user there wasn't necessarily a market opportunity for the product because he it wasn't driven by technology

S3 It wasn't

T No because the components already existed and then he went out to try to develop that but eh idea he had as a user well that's only cause we're trying to pigeon-hole him + all right

Text 4

Approx. no words: 1740

Partial text (beginning)

Tape 1: 3.10 - 3.22

T Right so let's start with number 7 and again if we use the format of going around the class with it eh we also generate a bit of discussion around the particular subjects the question is about the current account balance was the first one who'd like to make a start on that

S1 xxx

T Right so which one of these items would be of the eh

S1 Export is the one which is on the positive side while the and the cash out-flow will be on the negative side

T Right that's so it's the first 2 items exports of goods and imports of goods (S1 Hm hm) um anything else on the current account

S2 Services the export of services and the import of services

T Right so those 4 items is that it or

S1 Yeah

{  
S2 Yeah

T Well in fact it includes the other the next 2 ideas as well

S1 The banking and tourism and things you said (T Right) the other business

T That's right I think those are the imports and exports of services but the next 2 items interest profits and dividends from abroad and paid abroad also appear in the invisibles account I know this sometimes causes confusion they are to be interpreted as payment for the services of capital

S2 I thought I thought it was the capital account

T The capital account includes only actual capital flows not eh flow of the eh payment for the services of capital so for instance if someone buys a villa in Spain that's a capital outflow but if that villa is rented out and there is rent on it which is brought into the country that is then a payment for a a service of the villa and that then appears on the invisible account + ok so the capital account only specifically includes the actual capital either going into or out of the

country in order to purchase a real or fixed asset or to purchase a financial asset so it's the first 6 items in that case and you net them all out then that should give a deficit of 100 million and then the next question is the overall balance of payments would you like to try that one please

S4 Um

T The overall balance of payments .

S4 Could I answer the one after that

T OK Allright (laughs) how about you this was the easy one you missed

S5 Deficit of 400 million

T Sorry

S3 Deficit of 400 million

T Deficit of 400 million because you were simply bringing in the final item and then that minus 100 300 minus 400

S6 Sorry I'm lost

T Right um you mean on the overall balance of payments

S5 Yeah

T The overall balance of payments is going to include all the items that are there

S6 Hm +

T So we included the first 6 items in the current account (S6 Right yeah) and what for the capital account we simply have one item which is a net capital outflow (S6 Right) in reality of course there'll be very many items and actually a capital account is quite complicated but we are simply looking at one item and its the capital outflow (S6 Hm) so that's why it's negative

S1 So what about the our balance in item A which is 1 to 6 minus this 3 \ \ hundred

T \ \ Minus the 300  
yes right you had a question

S7 If you're saying that the capital account only includes the flows how would that be presented there in terminology because I understood that to mean capital flows and I got that first one part wrong how would that would that be that be portrayed would it just say capital capital purchase abroad or

T Yes I think that sometimes the term capital flow is is used um sometimes acquisition of assets abroad or acquisition of capital by foreigners in the country might might be a term ok

the distinction is a capital transaction or movement across borders as opposed to the services of capital paid which are in the forms of interest profits or dividends yes you had a question there

S8 In Danet it says the balance of payments is equal to the balance of trade plus the balance on the capital account now is the are you saying that current account balance that he implies is equal to balance of trade and secondly is the balance on the capital account what we're saying is capital outflow is

T That's right

S8 Ok then

T Yes yes the balance of trade there Danet implies by that the visible and the invisible (S8 Right) together and that balance of trade includes the interest profits and dividends (S8 I see) which appear in the invisibles ok + and of course in principle if all the numbers are right and the minus 400 there of the balance on payments has to be to be balanced against official financing + right ok let's go onto question C then suggest policies for improving the balance of payments and the conditions required for the suggestions to be successful so what will we will we say about that would you like to make a start on that

S4 What I was suggesting was that the the place where we seem to lose the most money was on the 2200 on the import of goods

T Right

S4 So that be a place to start

T Right

S4 Looking at exactly what those goods might be because they may be goods which we couldn't produce anyway and that having to set up a completely new industry or whatever would not actually be a feasible proposition but actually to see if there were any alternatives within that

T Right ok that's very much a direct intervention approach you're actually suggesting that if there are some things we can produce in the country like motor cars then why shall we have Japanese and German cars coming in so what you actually are suggesting is some restrictions on imports and then trying to start an industry that's feasible to to start

S4 I think what erm in terms of the restrictions I think one could look at a variety of methods not just a restricted method (T OK) that you can actually have to do some marketing of it rather than just do the blanket

T Right But that's again that's still you're asking the government to take a very active role and say the government is going to actively (S4 Hm) try to stimulate things that otherwise would not be stimulated by the private sector um something the the European Commission would come down heavily on (laughs) apart from all the other considerations because as you know

even where there are state subsidiaries being provided to local industry eh they the the kind of operation that we have the kind of arrangement we have within the European Community are are now not permitted it doesn't matter it doesn't mean that it doesn't happen but if anything was done on quite a blatant a scale as that I think they would they would be down on us like a ton of bricks

S1 I think the second point which she raised which she raised is that if you reduce the demand for the (T Right) because if the demand is there for imported goods if we can reduce the demand we therefore can also help to reduce the balance of payments

T Ok so when we talk about reducing demand what kind of what policies would we pursue for that would you like to

S9 Raise taxes

T Sorry

S9 Either raise taxes (T Right) or even possibly raise interest rates one of the problems with raising taxes though is although there'll be less spending on domestic goods (T Right) that in turn could reduce lead to an increase in unemployment (T Right) through the companies folding cause they're just not selling the goods so it's a vicious circle

T \\ Right right and I  
think that brings in the question specifically as as it is asked there of saying what policies could be used and what its consequences would be so as you say say one thing we could do is actually reduce overall demand and that will mean that the demand for imports will go down and of course this policy is more effective the more open an economy is the larger the proportion of imports are in the total market and the more sensitive imports are and the margin to reduction in demand and as you say the implications of that would be a slow down slowing down of growth in the economy and higher unemployment and so on and as you say it could be done either by raising taxes or or raising interest rates ok in a sense then that can be distinguished from then very specifically directed actions I mean one of the things you could suggest on the basis of what you were saying was raising tariffs + or as some countries have done quite successfully impose non-tariff barriers and if you looked at that what would anyone like to say anymore about tariff and non-tariff barriers or is there any question about that

S1 What is non tariff means

T Ah non-tariff well tariffs are clearly a tax on imports (S1 Imported things) but there are a variety of manners in which imports could be restricted without raising taxes on imports

S1 You mean like quota basis or

T Quotas It could be quotas but quotas now have to be called they are not allowed to be called quotas because quotas strictly speaking are not allowed under the general agreement o tariffs and trade any country cannot impose unilateral quotas (S1 I see) so what you have are 'orderly market arrangements' (laughter) call them orderly market arrangements or voluntary export

restraints and we actually do have that in terms of the restrictions on Japanese imports (S1 Yes) coming in But there are other subtle ways of doing things I have to say the Japanese have given us many varied examples of non tariff barriers eh such as very stringent regulations on exhaust emissions let's say where cars have to be very strict rules are set on what the approved type is for a car and these are very strictly checked when a car is imported into a country here for instance =====.

## Texts from Turkish University

Text 1

Approx no words: 3210

Complete text

Tape 2: 0-13.55

P ===== Thank you

Clapping

T I hope you will be willing to take some questions yeh

P With pleasure

T Um if I may be so bold as to start the questions since I'm sitting up here and perhaps that gives some time for our friends to think of other questions um you talked about the image of Alarko and since you are closely intimately involved with Public Relations and since you suggested that as a criteria for diversifying into varying businesses I would really be very interested to hear more about how you conceive the image of Alarko today

P I think it's interesting a very good question you know why because not all companies not anybody really understands the value and importance of the image business which can be strong and make a company or somebody also a person is an image just hopefully eh different like taking us in this case imagine the image we had 6 months ago and image the image we have now so any even the slightest thing can destroy can image been building up for 10 years and it's very very important for the companies also personally especially for companies and when I started the PR department that was the first thing I did I made a research I organised a research to find out what what Alarko's image is in the sector in the country and it was we got very interesting results our construction business which was the newest came up to be the most known because of the advertising about xxx and our air-conditioning and those manufacturing businesses also very well known but it was from the beginning that was the base of Alarko and it was known less that was very interesting to find out so you can see the advertising help in the image of the company not of course advertise but the people in the street and we believe not everybody in the street has to know about us but the people who know about us should know it's a very solid company we go on solidarity we go on being very solid and sound company to be debt free and not to be hurt with crises like Sadam and it's very important that people working for the company feel good feel that their future is secure of course some of them who should be leaving also stick to the commune because they're terribly comfortable but it's a nice feeling for the employees to know to feel they will not be without their pay-check at the end of the month it's very important when you work for a company and you have 2 kids sitting at home and a wife who's watching them I think it's very important for people who work for companies to like their company and believe in the company so that sound image came out and we're emphasising on it a lot and it was recently in the paper that one of the top managers said we aren't in the first league we are playing in the second league but at the very top of the second league we don't want to jump to the first league it's not our place we are not with Koc and Sabanci we cannot compete with them we are not so big we may appear to be big but we are not but we are sound and healthy and we

can go in many different areas and we hope to be there for many many other years we're in the stock market and the people are buying our shares therefore we have an obligation to be sound we have an obligation to be equitable and that's the management philosophy

T Thank-you +

P Did I explain everything so well doesn't anyone got any questions ok

S1 I want to talk a little bit about the strategy strategy formation process at Alarko for example you come along with an idea and then what happens they accept or they reject your idea

P Well of course it has to fit in with the management philosophy of course it need some time to digest that idea of course I mean one somebody can come and say let's go into pharmaceuticals and let's produce preservatives I mean we can always say that or condoms or whatever if you call them condoms so it's also very good idea with Aids with this with that with eventual exports it would be very interesting but it needs to digested it needs to be well understood and studied I mean with the Epilady thing definitely we didn't just go in one day it was a very very tiny thing in one of the companies then it came to a different level it was accepted to be developed so in big companies there are many ideas I mean there are so many ideas but not all of them can be realised I think when you talk about strategy that's what I tried to explain the long term the short term and the middle term and the short term the salmon business started more than a year ago more than a year ago but everything fit together the coal miners not being happy the government trying to support them the fish business started to be very interesting and the Black Sea region very interesting for the fish to grow much faster than in Norway and the foreign investor who wanted to come and invest here and the marketing potential being there so everything has to be there has to really fit I mean when you are putting money down when you are investing it needs even more time I mean just to import something and then to sell it how much can you lose you can lose as much as you spend on that goods not more than that of course image is a different story with that xxx you can often lose image but money-wise of course if it's production involved it means it means much more time I hope you are satisfied

T Can I just follow up on that question is there a planning department is there or is this strategy process planning process is the responsibility of every single manager

P It's more the ideal of every manager who has the potential of course I mean the ability to bring it up I mean not in every organisation not all ideas are heard we have a management style which is open to new ideas we have a computer department they said we've developed so much now we want to go into partnership with a Belgium company and gave this as a project not just for the company and it was an interesting project and probably it was accepted and they started so always the lower management or the people down in there who's making the idea who makes it develop and presents it but not every company of course has the same attitude or ground rules

S2 I want to ask something you said you are in the cosmetics salmon fish such kinds of things these are things targeted at the top of the market special persons special things don't you think to sell things which are sold in more quantity

P That's it's very interesting I think I personally think that every market can be of course considered but it depends on where you find the niche or you find the vacuum that's where we found the vacuum previously we said we said so many people have so much money and they live in such miserable apartments you go there you eat on wonderful china you eat wonderful food you see this house crumbling down and it's really a bad place and only in Istanbul if a house is luxurious it has to see the Bosphorus well we really proved the opposite Alkent doesn't see the Bosphorus Alkent is in a green area in the middle of the city it's even in a cukur even in a cukur believe it or not and it responded as a top market as a a a how do you call it

T Luxury

P Luxury as a luxury apartment what I want to come to is that if you go into business it's where you find the niche Salmon doesn't have to be only eaten by the rich it is sold everywhere in Europe and it depends on the country for us it is still a luxury a a a food it looks like but once it's produced in masses it won't be luxurious it will be less costly than kalkan so it will not be so luxurious any more cosmetics the electrical things they do are targeted at B+ or B level but in body care I believe the target level is B- that group which is environmentally concerned young group young ladies especially who do not maybe have all the means but who are very environmentally concerned and who like to buy those goods So every product of course has a different target group but we are not in the detergent business we are not in such highly distributed manufacturing we sell air conditioning not everyone buys air conditioning hotels buy ac luxury items what else do we do we sell machinery companies buy machinery we do not appeal to the masses that is if we sold chewing gum everyone in the street would know about us about about the company's name even the street children would know the chewing gum name but we do not have to be known by everyone it it depends on your target market and it's not ours please

S3 How do you analyse the industries you decide to be in do you make such an analysis

P Well we've got managers who have got vision thank God and once we couldn't go into the Middle Eastern countries we had difficulty going in there we tried to develop something in our own country and that's how we got into real estate so the conditions the external factors which we cannot control whose whose you have very little control of and the company's strategy and the people the managers' view they form the whole I think so I cannot give you a formula to decide on any business interest everything just starts to fit together better and then something comes up

S4 Most of the companies that diversified in the 1980's now they're returning to their basics their basic core businesses because they found themselves diversified in so many different areas now they can't take control of so what do you think of that because the engineering part the food part like you're entering the fish industry food industry sorry and then cosmetics they seem to be so different do you think you can integrate them or is there something you think eh the core skill that integrates all of these or are you going to find yourself ten years later like oh we've diversified into many different areas what shall we do now shall we divest

P Well even though we had a very bad experience we are still continuing to diversify believe it or not that's a very important thing and it depends totally on the management eh management flexibility if it's only production concern and it's and they only know that business if they don't have the managers to run the other lines of course they shouldn't get into it just because we have the xxx business not everyone should go into it and that's what happened exactly what you observed there that whole companies who had a bit on the side and had connections from the right places got into the business of course we're stuck with the management and they they have to sell the whole building of course there are many hotels in the south that do not have anyone coming in during the whole summer because we're stuck with the management therefore we got into the white goods business we started to produce Blaupunkt TVs and NEC Blaupunkt TVs german of course you know and NEC Nikon Electric japanese that was when the yen was terribly high that's when we got stuck with all those parts a big plant and more than \$5 million lost it must be much more but we had the courage to close down the factory I think that's where the strength lies and management has to see must have the vision to see either we close it or we go for it and that's a very important and difficult decision you can be sure of that all those people working for you all the marketing that we had formed but we learned we are not good at marketing so widely now someone has asked I'm trying to prove the opposite that we can marketing oriented it only depends on the team that runs it what I'm marketing it's all over Turkey right now and it's controlled by us and the money is collected by us which is the most difficult part you know that selling is not difficult at all in this country it's the collecting of the money that's difficult in this country so don't forget that ever therefore it was a very good and appropriate question we still diversified but we had a lesson so we learned that the management must be very very important we also got into tourism we are building a hotel which will be run by the Germans by Neckermann by the Paradise Hotel Group we bought another one which Ceyhan Holding had to sell they were short they had to sell we bought it so you see I mean if you have the right people to manage it or if you have the right strategy to run it well then you shouldn't fear any of those things that's what I believe in but of course you should never forget to take lessons from the past and I'm sure they took lessons from the TV business But they had the courage to close it down which is very admirable closing down is not easy

S5 You mentioned that you tried to be sound as a company for example you mentioned the Gulf crisis did not effect much your company I'm curious about the fact that how can you forecast something like that before it effects and you're not effected by it

P Well here is the question why is it so good to diversify (S5 Well it) if we'd had oil tankers running we'd have I mean being lined up in front of Iraq we'd have been probably I'd have had to ask you for your I don't know give me a job in this this university maybe I could do something on the side (S5 Yeah but) that's exactly the answer there is no way \\  
\\

S5  
risks

\\ Take

P No but you can take precautions you can see what's coming it's not it doesn't come from the sky the environmental issue it's already there for the last 10 years am I a genius to bring it to Turkey no I just have just have more vision than the rest that's all all there's no other explanation for that so you just have to be and that's one of the good things about

diversification you diminish your risks you spread your risks that's the only thing but there is no way not even in your room you're not secure you have to take risks in life in business especially in life for sure but in business especially you have to take risks if not there is no bigger there is not much profit we know about the formulas

T Perhaps one last question there is one (looks around) if there isn't I'd like to ask it there you go (indicates to bidding student)

P You can still ask

T Ok 2 questions

S2 In your previous talk you mentioned about this salmon fish productions and the investment required as far as I know about 300 million or so for a small farm eh it may be small for business growth xxx but how do you think a young entrepreneur can raise up this money

P Of course everything will be organised I mean the credits will be there for people who would like to enter they will still have their finger under the store as the Sabancis would say but I think they will definitely get their help there is no way everyone can start from zero you need need the appropriate help and small businesses should increase in this country that's the biggest part in the States where we think only corporations exist small enterprises small mall shops are still in very very big in quantity

T: Like a cycles of all businesses all business communities

P Yes obviously last question

T I'm I'm intrigued with your criteria that you mentioned profitability I think we know a little bit about profitability but the third one ethics

P Yes ethics

T Can you expand on that a bit more I guess you talked about environmental ethics but is there any other considerations when you say we will go into businesses eh that would be eh (P Ethical ) ethical

P Yes we choose not to go in in eh savuma eh

T Defence ministry

P Defence ministry we turned down a cigarette business that's only ethics that's the management's philosophy not only money oriented people oriented society oriented I'm not saying cigarette producers are bad people I'm just saying that's the way people die (laughter) some people need to smoke I mean defence shows to be a very very profitable industry but it's not everything I mean we do not see money as justifying everything we do I mean it's a large corporation we have so many people and so many families depending on it I think well we might be more interested in ethics than the other one but I think on the long run it helps a lot and that's the way people working in a company I mean they know that ethics are very

important and that helps to gain the trust of people which is even more important and that's why they work for you much better I know that my people in my department since it's our first year there's no way that I can pay them more and I know they could be paid much more elsewhere but they still work they still work very enthusiastically because they believe in the project they believe in me they believe they will develop they will develop they will go far we have the potential for development not every company has the finances to go into new businesses we will be growing three times next year according to our projection we must have all the requirements for this growth + I mean ethics is totally for the long term for the company's long term existence it should not as we know very well in personnel business that a company's life is not equal to a person's life it could go for years you have done this in your business courses (laughter) if anyone wants to get different brochures on and I also saw in Economic Review this morning an article which was very interesting I was reading it and it was about recruiting about your first interview your first interview with the company of course this is the boss (holds up picture) and this is poor you that's no doubt and how body language how important body language is the way you sit the way you talk the way you have eye contact don't ever avoid eye contact force yourself you have to have eye contact with the people you talk to it's very important I mean you can develop all those things but you must recognise that you don't have it if you don't know you don't have it there's no way you can develop it so you have to exercise with a mentor you have to have a mentor I'll leave this so people can

T You won't mind if I don't look at you while I thank you (laughs) well it really was a great pleasure to =====

Text 2

Approx. no words: 3940

Tape 2: 13.57-28.57

P ===== so I'm yours what would you like to know more about myself my experiences I don't know about Digital how we came or why we have been successful what are our strategies our plans for the future how we see envision the Turkish market what do we see I mean I don't know what your interests are

T All the above (laughter) +

P Digital worldwide is going through a slow slowdown the world market in computers is in a recession like the US economy or maybe as the European markets are but overall Digital is successful in the new strategic market on Thursday on Thursday I will be going to Hungary Digital was the 9th subsidiary in the World now we are one of the 4 largest we have opened up our Hungarian subsidiary opening up our Eastern European markets next month we will be opening up our xxx markets in Russia we have merged Eastern and Western market and we're adding the East German market as well so Turkey is one of those windows of opportunities that we have to catch the light while the markets in the Western World are slowing down there might be a situation but in parts like in Turkey the industrialisation process is still growing the infrastructure is still yet to be completed in automation the benefits from automation are yet to be derived like in bank market internal investments banking processing

computer processing are still yet to be achieved in Turkey we have very little automation in our industry very little computerisation in education very little even in finance you might be using those ATM money teller machines but these are just the facades the packages that are involved the back office is yet to be automated the new concepts such as international banking investment banking and different types of banking activities and financial services like stock markets and brokerage activities commodities and clearing house activities have to be offered in Turkey they require state of the art management information systems and Digital is a contender for those types of services we own about 65% of the electronic xxx transfer world-wide 85% of the world stock markets are being operated on Digital Electronic change in manufacturing ETI I don't know if you know these concepts or determine the planning and marketing being shared with suppliers and the distributors on the other hand so if you get eh feedback just in time from distributors at what the consumption perception or forecast will be which will allow you to plan or plan for your manufacturing and while you're gearing up for that manufacturing your suppliers sharing your plans and they gear up for supplying the supplies and the raw materials or in cases like Japanese just in time manufacturing all the components have to be assembled in your plans then we have concepts like life style manufacturing computer xxx manufacturing I don't know if you are manufacturing people those are on the industry side as well as well artificial intelligence that has to be graphics publishing all are published by means of computers and that's why we are here so we see that this market is yet to be conquered I mean we are high in expectations and with the concepts that we offer in Turkey first the solution that I mentioned (indicates to bidding student)

S1 Why have you been so late in Turkey

P Sorry I couldn't

S1 Why have you been so late in Turkey

P Well to be honest with you we had been represented by a distributor for the past 5 to 6 years before we arrived as a wholly owned subsidiary of Digital the reason why we came was all of those reasons that I just mentioned plus the demand from users and corporate customers like GE I was managing before I came here demanding the same quality and physical terms being offered in Turkey and Turkey's strategic role in the realm of geography and politics I mean you couldn't just oversee the potential and opportunities that Turkey represented while all our competitors were here we had to be present in this market or write it off because in the short term vision I mean expectations of markets whereas we had to come invest hire (inaudible) the best of people and put the systems into place to be able to start a new concern manufacturing that's what it takes the services and the software the solutions the package for Turkey's solutions and the market plans

S2 As far as I know I mean you have a very wide range of products and in order to have a competitive advantage we know that one has to be either the cult leader or have differentiated products what is your differentiated

P I think our differentiated is the quality of products and services and the uniqueness of our architecture and that's maybe just a generic statement but Digital is a networked company so we meet all the world wide standards and we integrate all the different brands of corporate manufacturing like different members different geographies and different solutions like

manufacturing finances for education integration IFBI Digital Ankara Istanbul and the new offers and gimmicks our xxx versus risk type of new architecture we have more PCs from Jet Save to super computers of 450 megablocks one of the largest mainframe computers that we manufacture and they all are fully compatible hardware and software you can write a program of the PC you can write it on the super computer or you want to use it with different sorts of computers there are hundreds of people designing systems you can write it on any PC and it's compatible and they say like in United States Digital can talk to an IBM system better than an IBM system can talk to another IBM system that's also a differentiator second you can therefore start small and you must have protection and fully comparably grow to the size that your business demands by changing your requirements the systems can respond to that in different size in different architects in different operating systems you can accommodate you can a work station on a unit here in your xxx department and you can put a mainframe whatever in your IBM in your corporate headquarters and they can talk to each other so that's the differentiator investment protection compatibility in hardware and software different architectures and operating systems to meet the different needs and requirements of different users and good quality and maintenance and integration that's the differentiated Turkey's I think almost taken for granted by companies such as IBM who've been in the market for over 50 years NCR is 45 UNIX is about 45 but they all haven't offered anything new they have almost a monopoly people have to buy the largest that they can afford in order to be able to accommodate their growing needs because everytime they outsize their systems they have to trash it and buy a new system convert all their applications retrain all their users for a new system I don't mean to bad mouth on the competition but what they do they design a system from outside they design an excellent architecture system and they say ok what are we going to have as an operating system and what kind of language what kind of applications are we going to run on it then and they re-design it IBM has and NCR for that matter before they have transformed to user platform have groups of systems and you have to migrate from on group one family of computers to another but this is an age of integration Europe is integrating companies are being merged and integrated the world is becoming one global market you have to be a real open open system and truly global company or you can't integrate the companies network their systems and divisions and offer them integrated systems open systems they have PCs IBMs and NCRs You should be able to embed them integrate them with yours that's our differentiated

T It sounds wonderful I mean it's such a terrific positioning and then you were saying earlier on that Digital was slowing in the world markets that's \ that's

P

\ Not Digital only the

whole computer industry is going through a slump even IBM is going through a slump we're in a slump you see the the current the changes occurring in our industry the power the capacity and the xxx or whatever you call it in a small box is such a tremendous xxx therefore size is getting smaller and price is getting so small you have to come up with a different way a different channel a different methodology of selling products for less money it is still a very sophisticated tool you still have to devote a sales team a support team is still very expensive still if before for those systems where you spent same amount time but you made millions of dollars and therefore a 50 60% profit now you spend same amount of time you sell for \$100 000 max. you make \$20 000 you still need to have the same number of people same type of support so the profit margin is in a very cost tight operation and therefore people xxx the leading technology providers at a competitive price Digital spends 10% over 10% of its

revenue on research and development I said our revenues were about \$13 million we spent I think 15 about 15 what's 10%

S3 1.3

P \$1.3 million \$1.3 million we spent on R & D just to be able to keep up with technology and to be able to come up with new products and businesses now everybody can do it NCR is currently being bought out by AT&T UNISYS by UNILAC Data General is xxx it's not doing well \\\

T \\\ Eh we have Decode here that's Bilkent's affiliated company Data General it's a Dogramaci Holding (P Company) company that's what we have as software

P It's a tough world out there and to be a survivor and even successful in this market is quite an accomplishment I feel very good and quite fortunate and looking for the future therefore we can invest I mean xxx are there any foreigners in this classroom

T I don't know if we call Germans foreigners probably not shall we call you a foreigner

S? xxx

P Can I sit down

T Please

S4 Eh the concept of 5th generation of computers are being talked about these times quite a long time but we have not a definite computer is called a 5th generation computer how do you think will be the evolution of these computers

P Well 5th generation computers like 4th generation languages it's a concept it's a concept of ergonomics these are programming well I'll tell you what I understand of the 5th generation computers that Digital's trying for is a fully open operating systemless unlimited virtual memory so as the technology avails you of the capacity of memory xxx computer resources you dedicate chunks of translating any application coming from another operator system and in nemo seconds unrecognisable speed they are being translated to the machine language you know machine code and being executed so the 5th generation is code generating codes like 4th generation you use like English statements it generates code so what you are application oriented if you're an engineer you write an engineering application with your own terminology and concepts and let the machine that translates it into machine language and write an application in that logic flow so that it will do the job that you intended to do in the beginning let those types of trivia be handled by the machine we don't want people like PEP staff to learn an application a business to generate applications for the end users to use we want end users to write their own applications with minimum knowledge of computers and let the computers do that that's the application generation once the applications are generated the regardless of what machine and under what circumstances and type of business generated they'll be machine executed get the job done and that is being utilised by amount of resources available ok xxx heat dissemination technology being utilised it is also some conductivity type of experiments being done they allow to package these technologies they are very small

boxes to affordable and be available to all kinds of people and therefore those 5th generation languages using concepts like fuzzy logic like in your TVs they watch you while you are watching them and they keep track of what kind of programs you're watching they've already turned it on at a given point of time they'll switch on the channel and the program that you'd normally watch like you put your linen in a washing machine It will automatically sense the content and it will adjust itself into colours and whites and put in the right amount of detergent and softener and what not and drying speed the car is utilising the computer more and more therefore the computer is becoming a commodity then part of our daily lives being utilised at every part of our appliances tools and vehicles and what not that is what I understand of 5th generation and Digital is striving for that but I mean since today they have invented the latest in cars But if you don't even have a simple car to compute today but if you want to wait for it I mean every year there'll be new models of cars so what do we do we determine our needs the funds we have you know we go to the market we evaluate what is best what is on offer and we evaluate the best you can't wait for the new model you know and I know that in September in US for example a new model more intense than xxx so if you want you can wait for years for the ultimate car so computers are here today if you need them like I have acquired a laptop I know in a couple of years it will fit in my pocket exactly I'm not going to wait for that I need it today and I have it

T Can you tell us a little bit about Digital Turkey and because Digital Turkey more like a marketing organisation is it not \ and

P \ Marketing and service

T Marketing and service I'm sorry in the last 2 years what kinds of strategies particularly in terms of marketing and service most specifically that you had to implement in order to move up from 7th to the 5th and now striving for the 4th position

P Well you have to be aware of the market dynamics we had to choose certain market to focus on target on and Digital is into medical to retail industry services industry banking and manufacturing into different kinds of things like manufacturing like discrete manufacturing process manufacturing I mean we can't be alone I couldn't have a specialist who knows those applications to sell to compose to service and to provide solutions so I had to choose certain target markets that I had to focus and be a specialist in that is I had to go back and look at my niche solution niche position where I have been very successful I didn't have to re-invent the wheel I know that Turkey was industrialising I knew that there was a very dynamic financial xxx as well and I knew that the public is dominant sector I couldn't neglect and among that public sector education was a strategic and very futuristic market that I had to be in because people like yourselves after they use my tools in the universities an new graduate I can give an example of myself my slide ruler if I have my slide ruler in my pocket when I go out like your calculator your diary whatever your habits you gain in school you carry then out with you to your profession if you are working in industry or if you stay with the university academia the you will do your research and your consultancy that's what made Digital successful by the way because the use at MIT Boston Cornell Carnegie Stanford Berkeley they all use Digital they are Digital campuses I mean they use Digital as a tool there are different computers there as well but what made Digital successful in such a short time is because of the demand of people graduating from university and asking for their tools so that is why we have chosen that as an investment market the universities so target markets is one thing that's an advantage

second we had to hire people that are quality people are our assets the return you get from investing we felt that our major investment is going to be people and we train every people we hire we train in 7 weeks in US in Europe in Turkey we gave them an excellent benefits package xxx from cars to drive when I go out car shopping I buy 30 cars like I bought 30 Renault cars and I left to pick up my own car have you ever bought 30 cars you know it was not prepared so I waited half an hour so they then gave me my car I started driving back to the office the type has a gap in it so um

T You sent the cars back

P Did I send the cars back no I keep on buying I have no choice I keep on flying Turkish Airways too from Istanbul to Ankara

T No No you have the onus of being the only executive who we've invited for the second time

P Second we didn't have all the resources no matter how eager we were to invest in those So we had to be around xxx the network of Digital systems throughout the World Digital has the largest network of computers 150 000 computer centres not PCs individual computer centres 150 000 Turkey has 3 centres Ankara Istanbul Izmir comprised of several computers and we tapped the Digital resources all over the world tap on it over the wire we get all kinds of telecommunication any kind of information even software or we do proposal generation world-wide a part in US a part in Europe and a part in Turkey through the computer network we use computers ourselves electronic mail desktop software and another strategy was providing solutions as the market demanded so we had to have solutions I mean we're not just here to sell computers we're here to meet the requirements the needs of customers we have to be very sensitive to their needs understand them carefully consult with them to find out their needs even if they don't know how to evaluate alternatives not sure what the alternatives are fine because we're going to evaluate them anyhow shorten the time frame on their decisions you've got to tell them about those alternatives let's evaluate those alternatives and then come up with a proposal a solution that will meet their business needs what that business is xxx I mean increasing their efficiency increasing productivity helping employees xxx customers xxx improving customer services improving quality designing automation so those are the areas where we have provided solutions with our world-wide partners we have 500 6000 xxx we know our weaknesses we know our strengths we know the dynamics of the industry xxx these are the major language to follow Digital so these are the very difficult times in Turkey

S5 Did you have to do anything special to sell your computers in Turkey compared to European situation

P No like voltage and cycles like \

S \ I mean like market-wise I mean \

P \ Market-wise we had to have our operating systems and our documentation being customised localised to accommodate the Turkish character system I mean like the c and the s and u and i I mean they are not there for those systems designed in US so you have to build chips and things into the terminal on the keyboard so that on the keyboard it says c and when you press c it appears

on the screen and then go into the computer and operating system should accept and understand that and embed it in its application as well and then when you send back to the printer it should also print so we did some hardware engineering

S5 Was the Turkish customer aware of your products by the time

P You mean had we done any marketing had we done any image advertising is that what

S5 Did you have to show that you were in Turkey now

P Word spreads we didn't have any major projects like everyone knows Digital is in Turkey now xxx I mean they knew all along about Digital when they need divestment banking when they need xxx when they need international banking and so forth like stock markets they knew that digital were xxx so we are here with our computers and with and we had to bring the applications and those applications had to accommodate Turkish characters to begin with it should have Turkish documentation it should have Turkish training you can't expect everyone to speak English fluent enough to understand computer jargon so you have to train them in Turkish document things in Turkish and support in Turkish so we have extensive consultancy services in Turkey consultancy services to find their needs consultancy services to find solutions to their needs and they talk to them once they become a user to answer the questions to solve their problems and then we have field service engineers fix things when they break them or even remedial xxx so we have invented software that would simultaneously analyse xxx and have diagnostic capability all our computers are being networked with our computers in Istanbul and anything they seem to be breaking they will send a message to analyse the situation so we know what is going to happen before it happens we dispatch the right part with the right engineers on time It sounds corny but that's true so it doesn't have to happen and nobody at IBM they have been there for 62 years they haven't bothered establishing such sophisticated remedial services customers are used to waiting for service

T One last question

S6 Are you free in decision making

P Speak up

S6 Are you free in decision making or are you responsible to another centre for example Greece or

P No I'm all alone when I was established I was I had a big brother I'm alone and I'm now coaching Hungary I'm coaching because I have unique and fresh experiences now I even consult the new establishments what to do so I don't have I have all the European subsidiaries as manager we have industrial seminars and so forth I have lots of support from US from Europe and elsewhere but I'm on my own and I'm in a very good position in the corporation I am a boss no-one bothers me xxx there are support centres like xx centres concentrating on specific industries like EEC digital xxx or manufacturing or financial services xxx in Geneva telecommunications so I always use experts they are so I have lots of support from Europe have all sorts of responsibilities and projects but I'm on my own and I'm in a very good position in the corporation I am a boss no-one bothers me xxx I can do anything I want so

long as I return a profit for the corporation which is pretty fair I can do anything I want I can settle my own prices I can set my own strategies and policies

T OK it's it's our honour to have you for the second time =====