

UNIVERSITE PARIS 1 PANTHEON-SORBONNE

UFR 06 / SGEL

LICENCE DE GESTION ET ECONOMIE D'ENTREPRISE, Semestre 3

Partiel d'anglais appliqué à la gestion

Enseignant responsable : J.T. Pindi, MCF

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Sujet rédigé en collaboration avec Jennifer Wallace, Lectrice ;

Durée : 2 heures

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No documents allowed. Write your answers on the official answer sheets provided.

PART 1: Reading

A. Read the text below entitled " *The proposed merger of BAE Systems and EADS*" and address the ensuing vocabulary and comprehension exercises.

The proposed merger of BAE Systems and EADS: Kaputt The collapse of a huge European defence merger leaves both firms damaged

THE challenge was always going to be getting the politics right. But when Britain's BAE Systems, Europe's biggest defence firm, and EADS, the Franco-German maker of Airbus civil jets and the owner of some smaller defence businesses, announced their intention to merge a month ago, managers of both firms were optimistic. They gushed about the encouragement they had been given by the French, German and British governments.

Their optimism was misplaced. The deal died on October 10th, the date set by London's Takeover Panel for the two companies to declare their intentions. It had hit an immovable object in the shape of Germany's chancellor, Angela Merkel.

That came as a complete surprise to EADS and its German boss, Tom Enders. Few people have more experience or better "fingertips"—his expression—for understanding the politics of Europe's defence and aerospace industry. A former paratrooper, Mr Enders has moved seamlessly between academia, politics and business. He thought he could use those fingertips to find a way of getting the politics out of EADS and turning it into a "normal" business. No such luck.

Four years ago, Mr Enders helped set out a long-term strategy for EADS: to build up the defence side of the business, which had become overshadowed by Airbus; to outsource more of its operations; to make a bigger splash in America; and to reduce the stakes held by the meddlesome French and German governments. Merging with BAE would have helped EADS do all of the above: the British firm clocks up nearly 45% of its sales in America, selling such things as armoured vehicles to the Pentagon.

From BAE's point of view, too, a merger made sense. With the winding down of the wars in Iraq and Afghanistan, it faces a future of shrinking defence budgets. Marrying EADS would have given it a way back into civil aviation and a titanium balance-sheet, thanks to Airbus's €486 billion (\$626 billion) order book.

The managers of the two companies knew each other and got on well. They rapidly agreed on a 60/40 split of shareholding in EADS's favour. They also knew, however, that unless the three governments played ball, the game would quickly be over. For the deal to make sense, the French and the Germans had to be willing to surrender enough influence to convince the Pentagon and Congress that the special security agreement given to BAE's American subsidiary would not be jeopardised. The French were expected to cause trouble, but with some quibbling, they and the British were keen for the deal to go ahead.

However, in the past few days it became clear that the opposition was coming from the Germans. According to someone close to the discussions, they initially assumed they could hide behind the French. When the French looked like supporting the deal, the German negotiators were taken aback. They first insisted on the German government having the same 9% direct stake as the French had agreed to. No problem, said the French and the British. The next demand was for the corporate headquarters to be in Munich rather than Toulouse (the defence business was to have been based in London). "We can work something out," came the reply. Yet on October 9th Mrs Merkel rang the French president, François Hollande, to tell him that she intended to veto the deal.

Where does that leave the two firms? The blow for EADS is not quite as great as it is for BAE—its main Airbus business is still growing strongly. But Mr Enders's strategy is now doomed. He has been reminded how hard it is to build a more rational European defence industry. The experience will have seared him.

Nowhere to go

BAE's position is trickier. It is a well-managed firm with good long-term prospects thanks to its uniquely international portfolio. But the medium term looks bleak, with falling sales in its core markets. Its scope to diversify or make acquisitions is limited by a weak balance sheet and a £5 billion (\$8 billion) pension deficit. Guy Anderson of IHS Jane's, a defence-research firm, says it is most likely that it will continue to sell non-core assets. However, because BAE is now regarded by some as a company in play, Mr Anderson says it may need to do something bigger.

A large American defence contractor could bid for BAE. However, the British government might use its special share to prevent a deal that would leave it with far less influence than the tie-up with EADS would have done. None of the choices open to BAE looks as good as the one that has just vanished in a puff of smoke.

(The Economist; October 13th 2012)

B. VOCABULARY (5 points)

I. Find the word or short phrase in the text, which corresponds to the definition below. Give the paragraph and line number.

1. A business transaction:
2. A plan, method, or series of manoeuvres for obtaining a specific goal or result in the far future:
3. Any combination of two or more business enterprises into a single enterprise:
4. People who deal with or bargain with others, as in the preparation of a treaty or contract:
5. Any general business/commercial activity involving the military:

II. Find a synonym for the following words in the text. Give the paragraph and line number.

1. intrusive:
2. diminishing:
3. division:
4. investment:
5. collection of investments:

C. Comprehension (5 points)

Say whether the following statements are True (**T**) or False (**F**). You must give your justification with a line from the text.

1. The directors of BAE and EADS were sceptical about the merger when it was first announced (T/F)
2. The main reason for the failure of the deal was a financial issue. (T/F)
3. Tom Enders is one of the top experts in the fields of defence and aerospace. (T / F)
4. Tom Enders was successful in his plan to reduce the stakes held by governments in EADS. (T/F)
5. BAE sells just less than half of its defence weapons to the USA. (T/F)
6. The merger would have moved EADS away from the civil aviation industry. (T/F)
7. French and German governments would have been expected to keep the same percentage stakes in the companies after the merger. (T/F)

8. German negotiators were insisting on a change of location for the new company's head office. (T/F)
9. EADS will suffer the most from this failure. (T/F)
10. There is a chance that BAE could be bought out by a foreign investor. (T/F)

PART 2: Grammar (5 points)

Choose the correct vocabulary item or verb tense that completes each of the following sentences describing stock market trends.

1. The stock market has been *fall / lower / down* for three days straight.
2. Our stocks are *high / up / higher* 20% this month.
3. I'm hoping for a 10% *increasing / increase / increased* over the next year.
4. Trading stock is not an *exact / inaccurate / exacting* science.
5. When a stock market *crashing / crashed / crashes* many investors lose a lot of money.
6. Stocks *have hit bottom / soaring / having plunged* and show no signs of changing.
7. The stock decreased in value because many investors were selling it *off / out / on* after the negative financial news came out.
8. The news had no *interest / impasse / impact* on the price of the stock.
9. The company's shares are slowly *falling / climbing / climbed* again after a good day on the NYSE.
10. The company's traders are ecstatic after sales *peaking / reaching a peak / have reached a peak* following a buoyant week.

PART 3: Essay writing (5 points)

In a minimum of 250 words or a maximum of 300, discuss the type of merger that failed to take place between EADS and BAE. What could have been the positive aspects of such a merger? Why wasn't a consensus reached? Who was left in the most precarious position and why?

You will be marked on the substance of your arguments and your knowledge of the subject as well as on the standard of your English. Be sure to include your word count at the end of the essay.

Key to answers and guidelines for marking

Part 1: Reading

B. Vocabulary (5 points)

I. Definitions

Answers

1. A business transaction: *A deal (paragraph 2, line 1)*
2. A plan, method, or series of manoeuvres for obtaining a specific goal or result in the far future: *A long-term strategy (paragraph 4, line 1)*
3. Any combination of two or more business enterprises into a single enterprise: *A merger (title)*
4. People who deal with or bargain with others, as in the preparation of a treaty or contract: *Negotiators (paragraph 7, line 4)*
5. A business entity involved in activities related to the military: *Defence firm (paragraph 1, line 2)*

Marking

Half a point for a correct answer coupled with a correct text reference. Quarter of a point for a correct answer without any text reference. Nothing to be awarded if otherwise.

II. Synonyms

Answers:

1. intrusive: *meddlesome (paragraph 4, line 4)*
2. diminishing: *shrinking (paragraph 5, line 2)*
3. division: *subsidiary (paragraph 6, line 6)*
4. investments: *stakes (paragraph 4, line 3) or shareholding (paragraph 6, line 2)*
5. collection of investments: *portfolio (paragraph 9, line 2)*

Marking:

Half a point for a correct answer coupled with a correct text reference. Quarter of a point for a correct answer without any text reference. Nothing to be awarded if otherwise.

C: Comprehension (5 points)

Answers

1. FALSE: managers of both firms were optimistic. (Paragraph 1, line 4)
2. FALSE: It had hit an immovable object in the shape of Germany's chancellor, Angela Merkel. (Paragraph 2, lines 2 & 3)

3. TRUE: Few people have more experience or better “fingertips”—his expression—for understanding the politics of Europe’s defence and aerospace industry. (Paragraph 3, lines 1 & 2)
4. FALSE: He thought he could use those fingertips to find a way of getting the politics out of EADS and turning it into a “normal” business. No such luck. (Paragraph 3, lines 4 – 6)
5. TRUE: the British firm clocks up nearly 45% of its sales in America, selling such things as armoured vehicles to the Pentagon. (Paragraph 4, lines 5 & 6)
6. FALSE: Marrying EADS would have given it a way back into civil aviation and a titanium balance sheet. (Paragraph 5, lines 2 & 3)
7. FALSE: For the deal to make sense, the French and the Germans had to be willing to surrender enough influence to convince the Pentagon and Congress that the special security agreement given to BAE’s American subsidiary would not be jeopardised. (Paragraph 6, lines 3 – 6)
8. TRUE: The next demand was for the corporate headquarters to be in Munich rather than Toulouse. (Paragraph 7, line 6)
9. FALSE: The blow for EADS is not quite as great as it is for BAE. (Paragraph 8, line 1)
10. TRUE: A large American defence contractor could bid for BAE. (Paragraph 9, line 1)

Marking

Half a point for a correct answer with a correct justification. A quarter of a point for a correct answer without a correct justification or without any justification at all. Nothing to be awarded if otherwise.

Part 2: Grammar (5 points)

Answers

1. down
2. up
3. increase
4. exact
5. crashes
6. have hit bottom
7. off
8. impact
9. climbing
10. have reached a peak

Marking

Half a point for a correct answer. Nothing to be awarded if otherwise.

Part 3: Essay Writing (1+4= 5 points)

Guidelines

Each student should have used terminology associated with mergers, evidence that they have understood the text and the inner workings of each participant's strategic position, and the tactics that they used to further their goals (concessions), or, as in the case of Angela Merkel to obstruct or derail the negotiations. Their comments should be clear, straightforward, and to the point. They should not get lost in any effort to explain Merkel's motivation (as this seems pointless in terms of the text). Stick to the facts. They should use their own words as much as possible and avoid copying from the text directly.

Marking

- First, please award **1 point** as a bonus for requisite length. Nothing to be awarded, nor any penalty point to be deducted for inadequate or excess length.

- Then, please read, correct and comment the whole description and score as follows:

0.5 point = Very little substance. Poor discussion rendered in poor English.

1 point = Attempt to address the issues raised. Frequent spelling, vocabulary and grammar mistakes. No fluency of expression.

2 points = Good attempt to address the issues raised. All the questions are answered to some extent. Some regular spelling, vocabulary or grammar mistakes. Problems with the writing style.

3 points = Good substance or discussion on the whole. All the questions are addressed. Very few spelling, vocabulary or grammar mistakes and a good writing style.

4 points = Excellent discussion. High level English including fluency of expression and a very good writing style. Perfect spelling and good lexical and grammatical choices. No mistakes at all.

- Finally, please add the score to the bonus point, if any, and award the overall mark of the section.