

UNIVERSITÉ PARIS 1 PANTHEON - SORBONNE

ECOLE DE MANAGEMENT DE LA SORBONNE / DÉPARTEMENT DES LANGUES

LICENCE DE GESTION ET ÉCONOMIE D'ENTREPRISE, SEMESTRE 3

BI-LICENCE DROIT / GESTION, SEMESTRE 3

PARTIEL D'ANGLAIS APPLIQUÉ À LA GESTION

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Durée : 2 heures

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

## **PART 1. READING**

*Read the text below entitled “HP breaks itself up to dodge the ‘conglomerate’ tag” and address the ensuing vocabulary and comprehension exercises.*

### **Split today, merge tomorrow**

#### **HP breaks itself up to dodge the “conglomerate” tag**

Oct 11th 2014 | SAN FRANCISCO / *The Economist*

WHEN Hewlett-Packard said this week that it would split into two firms, one selling personal computers and printers and another selling servers and other business equipment and services, there was a touch of *déjà vu*. Three years ago HP's then boss, Léo Apotheker, said he would sell the PC division (though not printers) to focus on higher-margin software and services. But Mr Apotheker was sacked before he could execute his plan, and the one big move of his brief tenure—the \$11.7 billion purchase of Autonomy, a software firm—turned into a disaster when allegations of accounting irregularities surfaced.

His successor, Meg Whitman, abandoned the break-up plan, arguing that HP would be stronger as a single entity, using its size to extract better terms from suppliers and to spread overheads. Now Ms Whitman is arguing that the company is better prepared for a split. Its balance-sheet is stronger, which means HP's offspring can be endowed with the means to flourish on their own. And the printer and PC divisions have been merged, into an entity to be known as HP Inc.

However, the timing of the split may have been determined by market conditions. In 2011, amid uncertainty about America's recovery and fears about the euro zone, investors valued the safety provided by sheer size; now they prize the agility needed to fend off nimble startups. Moreover, HP's various assets appeal to different types of investor: those who want dividends now may prefer the mature printers

and PC side, whereas those ready to trade safety for growth potential may prefer the enterprise business. HP's shares rose 5% when the split was announced.

Unlike many similar spin-offs, the racier half of HP, which will be called Hewlett-Packard Enterprise and maintain Ms Whitman at the helm, is unlikely to deliver strong growth immediately on being unshackled. Revenues at those businesses have shrunk by 4% in the past year, and competition to sell servers, data storage, software and services to businesses is fierce. Lenovo of China, which last year overtook HP as the world's leading PC seller, recently bought a low-end server business from IBM. And in enterprise software, despite the purchase of Autonomy, HP is still far behind competitors like Oracle.

What is more, some of the contract manufacturers HP uses to build its equipment are cutting it out of the loop and offering unbranded products directly to HP's corporate customers. The shift to cloud computing is accelerating this: smaller firms, which hitherto might have preferred a trusted brand of server, are increasingly renting capacity from giant server farms, which are happy with unbranded ones.

A broader shift illustrated by HP's break-up is that diversification is something only the brightest tech stars can get away with. Investors have given Silicon Valley's reigning royalty carte blanche this year to buy tangentially related firms—witness Apple's purchase of Beats, a headphones maker, Facebook's deal for a messaging service, WhatsApp, and Google's acquisition of Nest Labs, which sells thermostats and smoke detectors. But as tech firms age (HP is 75) and their growth tails off, they begin to have the dreaded word "conglomerate" applied to them, with its negative implications for the share price.

To escape that fate, as in other industries, diversified tech firms have to break themselves up, and concentrate on being first or second in their core businesses. In Ms Whitman's old job running eBay, she bought Skype, an internet-telephony provider, and PayPal, a payment processor. Skype has since been sold, and a spin-off of PayPal was announced on September 30th, giving eBay's shares a 7.5% boost.

Among the other long-established technology firms which have investors wondering whether the whole may be worth less than the sum of the parts are Microsoft, whose products range from operating software to applications to mobile devices, and Yahoo, whose main assets are its stakes in Alibaba of China and Yahoo Japan. Another is Symantec, which this week was reported to be contemplating a separation of its two main businesses, internet security and data storage.

The markets' preference for focus, however, does not mean they are averse to scale. In fact, the slimline Hewlett-Packard Enterprise will probably need to grow quickly by acquisition to survive on its own—particularly in software, which accounts for just 7% of the new firm's revenues. HP says it cannot talk about potential purchases because it possesses "material non-public information", suggesting it has something brewing. One oft-rumoured target is VMware, a cloud-computing specialist, or indeed its parent, EMC, a data-storage firm. Now that Ms Whitman no longer has to fret about the stagnant PC business, she can dedicate her full attention to plotting the enterprise company's next big move.

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#### **A. COMPREHENSION (5 points)**

*Say whether the statements below are True (T) or False (F). Justify your answer with a sentence from the text.*

1. Meg Whitman has been hatching the break-up of HP from the start. (T/F)

2. The newly engineered split intends to separate the PC division from the printer business. (T/F)
3. Corporate customers tend to purchase unbranded products and services more and more. (T/F)
4. The Stock Exchange disapproves of the split. (T/F)
5. The PC market does not offer interesting prospects for growth. (T/F)
6. The new name of HP will be Hewlett-Packard Enterprise. (T/F)
7. Some of HP's suppliers have become its competitors. (T/F)
8. The CEO of HP suggests she already has plans concerning future purchases. (T/F)
9. Diversification is always frowned upon by investors in the present situation. (T/F)
10. Investors now tend to neglect large-scale firms in favour of small, nimble start-ups. (T/F)

**B. VOCABULARY (5 points)**

1. *Find a synonym for the following words or short phrases in the text. Give the paragraph and line number.*
  - a. Break-up
  - b. Takeover
  - c. Rivals in business
  - d. Payout to stockholders
  - e. Holding company controlling one subsidiary
2. *Find the word in the text which corresponds to the definition below. Give the paragraph and line number.*
  - a. Private individuals or companies providing resources of all kinds to other companies.
  - b. Parts or portions of the (equity) capital of a company.
  - c. A corporation consisting of several companies in different businesses.
  - d. The primary activity which defines a company's main emphasis and for which the company exists.

- e. Tangible or intangible items that are owned by an organisation, or money and other items that are owed to the organisation.

## PART II. GRAMMAR (5 points)

**1. Choose appropriate verbs from the box to complete the sentences below. Decide for each sentence if you need to put the verb in the past simple or present perfect. (0.25 pt each)**

To peak // to deal with // to merge // to be (x2) // to rally // to control //

to take over // to fall // to report to

- a) Rosie (1) \_\_\_\_\_ in charge of the customer service office since January, and she really enjoys her role.
- b) They (2) \_\_\_\_\_ their operations in a centralised manner, so they were able to reap economies of scale and made millions. Five years later, they were (3) \_\_\_\_\_ by a larger corporation so unfortunately nobody remembers the old company's name anymore.
- c) The sales of stock (4) \_\_\_\_\_ significantly in the last 3 months. Shareholders are worried.
- d) After a tough first trimester, sales finally (5) \_\_\_\_\_ last week.
- e) It was a difficult client but I believe the agent (6) \_\_\_\_\_ the problem in a very calm manner yesterday.
- f) In my previous job, I (7) \_\_\_\_\_ responsible for several successful marketing campaigns. I (8) \_\_\_\_\_ the Marketing & Sales manager and I learnt a lot from him.
- g) The value of stock had been increasing steadily, it (9) \_\_\_\_\_ in September and then went down slightly in October.
- h) In an \$81b agreement, Exxon and Mobil (10) \_\_\_\_\_ in 1999, becoming the largest company in the world.

**2. Complete the sentences with words derived from the verb 'to interview' and 'to recruit'. (0.5 pt each)**

a) First of all, the (1) \_\_\_\_\_ must never show up late. It is a good idea to come to the interview with an extra copy of your CV, just in case the (2) \_\_\_\_\_ can't find his copy and wants to ask specific questions about the candidate's previous professional experience, for example.

There are different (3) \_\_\_\_\_ techniques and sometimes you are asked tricky questions so that they can observe your reaction. Perhaps the most challenging part is answering a very open question such as 'tell me about yourself' or 'describe the biggest risk you've ever taken'.

It is often said that recruiters make their decision about (4) \_\_\_\_\_ you within 3 minutes, proving once again that first impressions are paramount. For certain companies, especially multinational enterprises, the (5) \_\_\_\_\_ process is long and involves several stages, including a foreign language exam.

### **PART III. WRITING (5 points)**

In a minimum of 250 words and a maximum of 350, and using examples from the text on HP, as well as from other sources, discuss the pros and cons of merger, acquisition and breakup strategies.

You will be assessed on the basis of the content of your essay (relevance, knowledge of the related issues and adequate use of appropriate terminology) as well as on the standard of your English.

► Be sure to include your (accurate) word count at the end of your essay.

# Key to answers and guidelines for marking

## L2 S3 Partiel Economie / Gestion

January 9 2015

### PART I. Reading

#### A. COMPREHENSION (5 points)

[Guideline: 0.5 point / answer: 0.25 for correct T/F, 0.25 for correct text reference]

11. *False*. See paragraph 2, line 1: “[Leo Apotheker’s] successor, Meg Whitman, abandoned the break-up plan...” (before reviving it *later*)
12. *False*. See paragraph 1, line 1: “personal computers AND printers.” It was Apotheker’s plan (see paragraph 1, line 4, “though not printers”), and now (paragraph 2, line 5) “The printer and PC divisions have been merged, into an entity to be known as HP Inc.”
13. *True*. See paragraph 5, esp. lines 2-5.
14. *False*. paragraph 3, lines 6-7: “HP’s shares rose 5% when the split was announced.”
15. *True*. See paragraph 9, line 7: “the stagnant PC business” (see also paragraph 3, lines 5-6, implying no real growth potential for the “mature printer and PC side”).
16. *False*. See paragraph 4, line 1. Hewlett-Packard Enterprise is only the “racier half” of the old HP (HP Inc. being the other half).
17. *True*. See paragraph 5, lines 1-2. “What is more, some of the contract manufacturers HP uses to build its equipment are cutting it out of the loop and offering unbranded products directly to HP’s corporate customers.”
18. *True*. paragraph 9, line 4: “HP says it cannot talk about potential purchases because it possesses ‘material non-public information’, suggesting it has something brewing.”
19. *False*. Not *always*. paragraph 6, line 2: “Investors have given Silicon Valley’s reigning royalty carte blanche this year to buy tangentially related firms.” (see also line 1, same paragraph)
20. *False*. See paragraph 9, line 1: “The markets’ preference for focus, however, does not mean they are averse to scale.” (NB: possible confusion with what paragraph 3, line 3 says, but the “agility

needed to fend off nimble start-ups” does not mean you have to be one yourself to please investors, as is clear from the rest of the text...).

## **B. VOCABULARY (5 points)**

1. [0.25 for correct answer, 0.25 for correct reference]

- f. *Split*: paragraph 2, line 3.
- g. *Acquisition*: paragraph 9, line 2.
- h. *Competitors*: paragraph 4, line 7.
- i. *Dividends*: paragraph 3, line 5.
- j. *Parent* (company): paragraph 9, line 6.

2. [0.25 for correct answer, 0.25 for correct reference]

- f. *Suppliers*: paragraph 2, line 2.
- g. *Shares*: paragraph 3, line 6.
- h. *Conglomerate*: paragraph 6, line 6 (see also title)
- i. *Core business*: paragraph 7, line 2.
- j. *Assets*: paragraph 3, line 4 or paragraph 8, line 3.

## **PART II, Grammar**

1. **Present perfect vs past simple [0.25 pt each correct answer]**

- |                |                |
|----------------|----------------|
| 1) has been    | 6) dealt with  |
| 2) controlled  | 7) was         |
| 3) taken over  | 8) reported to |
| 4) have fallen | 9) peaked      |
| 5) rallied     |                |
| 10) merged     |                |

**2. Words derived from ‘to interview’ and ‘to recruit’ [0.5 pt each correct answer]**

- 1) interviewee
- 2) interviewer
- 3) interviewing
- 4) recruiting
- 5) recruitment

**PART III. Writing**

Marking (1+4 points)

- 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.
- 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.