

# Headline English

2010, week 50 *Learn English through reading on current world affairs*

1 Henry Mintzberg

## 2 **How the enterprises trashed the economy**

3 original at:

4 <http://www.economist.com/blogs/freeexchange/2010/12/management?page=1>

5 The problem with the economy is not economics but enterprises.  
6 Accordingly, no manner of economic intervention will put an end to this  
7 "recession". The problem has been created in corporate America, and that  
8 is where it will have to be solved.

9 Too many corporate "leaders" have trashed their enterprises and  
10 destroyed America's legendary sense of enterprise. They have allowed  
11 themselves to be paid according to "shareholder value", which is a fancy  
12 term for increases in the price of a company's stock. How is stock value  
13 increased?

14 There are two basic ways: by exploring and by exploiting. Explorer  
15 companies achieve this by doing better research, making improved  
16 products, and offering superior service. This is hard work, and it takes  
17 time.

18 Exploiter companies have it easier: they depreciate the brand, cut  
19 investments in research, confuse the customers with bamboozle pricing,  
20 and stay as close as possible to the letter of the law while lobbying  
21 politicians to reduce its level. These behaviours can raise the price of the  
22 stock long enough for the executives to cash in their bonuses and run.

23 Never mind the employees. These are just "human resources" and  
24 resources are, after all, conveniently dispensed with. Then the company  
25 can carry on, in the short run, at least until the bonuses are doled out.  
26 Unfortunately, the short run has now run out for American enterprise.

## Questions

- 1) Explain the distinction between 'economy' and 'economics' (both in line 5).
- 2) What is 'economic intervention' (line 6)?
- 3) Explain the term 'shareholder value' (line 11).
- 4) According to the text, how can the stock value of a company be increased without any real improvement of the products it is delivering? What does the text call this approach?
- 5) What is the role of the employees in this type of approach to increasing shareholder value?
- 6) Explain the concept 'letter of law' (line 20). Hint: the complementary concept is 'spirit of law'.
- 7) What part does the author suggest have the approaches described in the text played in the current economic problems?
- 8) In your opinion, does the article paint a true picture of corporate America? What do you think company management looks like in the Czech Republic?

## Vocabulary

**accordingly** (line 6) – 1. therefore; so; in due course; in accordance; correspondingly.

**put an end** (line 6) – end, finish, terminate

**depreciate** (line 18) – to lessen or reduce the value or price of

**lobby to** (line 20) – to try to influence the actions of (public officials, esp. legislators)

You can find additional explanation and more examples to help you understand and use English words and phrases at <http://dictionary.reference.com>, <http://dictionary.cambridge.org/>, <http://www.merriam-webster.com/> or <http://www.ldoceonline.com/>

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