

# UNIT 4

## PAY



*Intelligent Business*  
Intermediate

# Content

- Vocabulary: Pay
- Article: “The rewards of failure”
- Grammar: present perfect and past simple

# What do you think the picture represents?

**‘fat cat’**

**A top manager who receives a huge pay package and bonuses**



# Because I'm worth it

## Keynotes

CEOs and top senior executives are sometimes referred to as '**fat cats**' because of the enormous **pay packages** and **rewards** they are offered when joining a company. These may include details of salary, **pension** and, frequently, even the possibility of a '**golden parachute**' or very generous **severance deal**, which is the sum of money they are guaranteed when they leave the company. Pay deals are negotiated by **remuneration committees** (**compensation committees** in the US) and are voted on by shareholders.



# Because I'm worth it

## Keynotes

- CEO: Chief Executive Officer
- Top senior manager (n)
- “Fat cats”
- Golden parachute (n)
- Pay packages (n)
- Rewards (n)
- Severance deal (n)
- Pay deal (n)
- Remuneration committee (UK)/ Compensation committee (US)

# 4. Pay



**The person with the most important position in a company**

# 4. Pay



**CEO: Chief Executive  
Officer**

**The person with the  
most important  
position in a  
company**

# 4. Pay



The **salary** and other **benefits** (advantages) such as health insurance or a car that an employer offers to an employee



# 4. Pay



## Pay package

The **salary** and other **benefits** (advantages) such as health insurance or a car that an employer offers to an employee

# 4. Pay



**A thing given in  
recognition of  
service, effort, or  
achievement**

# 4. Pay



## Reward

A thing given in recognition of service, effort, or achievement

# 4. Pay



**Agreement to pay a large amount of money to a senior executive of a company if they are forced to leave**

# 4. Pay



## **Golden parachute**

**Agreement to pay a large amount of money to a senior executive of a company if they are forced to leave**

# 4. Pay



**Money paid by an employer when an employee's services are terminated**

# 4. Pay



## Severance deal

Money paid by an employer when an employee's services are terminated

# 4. Pay



**A committee of non-executive directors charged with deciding on the pay and incentive schemes for executive directors**



# 4. Pay



## **Remuneration committee**

**A committee of non-executive directors charged with deciding on the pay and incentive schemes for executive directors**

# Pay deal

- Salary
- Pension
- The possibility of a “golden parachute”
- Generous severance deal

# Listening 1 – The new millionaires

Silicon Valley, San Francisco's capital of the hi-tech industry, produces dozens of new millionaires every day. Listen to two of them talk about life and complete the table below.

Brad Jefferson	Anne Lee Chang
	
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

# Listening 1 – The new millionaires

## **Brad Jefferson**

Age: 35 Position: CEO Car: BMW 740 Salary: \$3 million per year plus bonus Hours worked: 60–80 hours per week

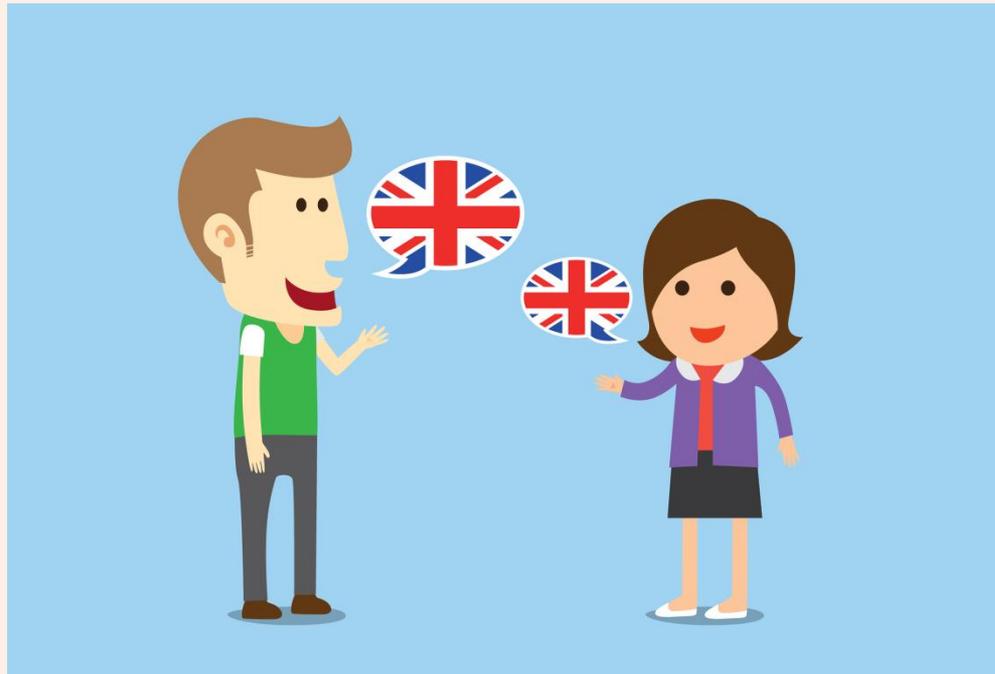
## **Anne Lee Chang**

Age: 32 Position: senior manager Car: Jaguar Salary: \$3 million Hours worked: 60 hours on average



# Speaking

- Do you think anyone should earn so much money? Why (not)?



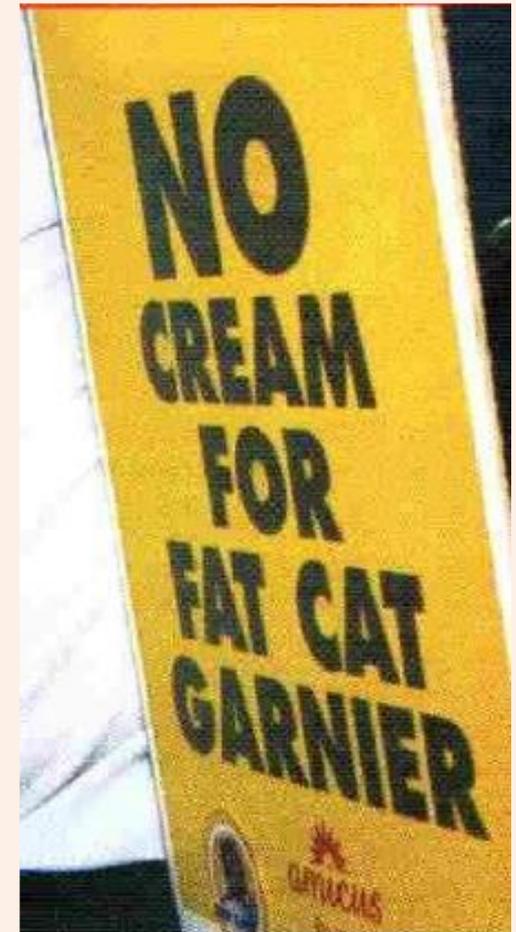
# The rewards of failure

- **outrageous (a) outrage (n):**  
totally unacceptable
- **the board of directors (n):**  
group of directors
- **in limbo:** undefined, unclear
- **advisory (a):** giving advice
- **binding force (n)** cannot be legally avoided
- **corporate performance (n):**  
performance relating to a particular business corporation
- **lavish (a)** large and generous
- **cushion one's fall (v)** to soften or reduce the bad effect of something
- **one-way bet (n):** a bet you can only win
- **make a fuss (v):** to argue about someone or something

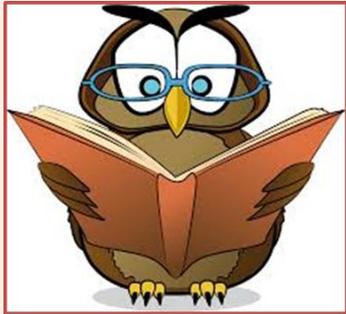
# Reading: The rewards of failure

When the public mood changes, the realisation can take time to sink in. Behaviour that was once acceptable can overnight come to be seen as outrageous. The board of GlaxoSmithKline, a big pharmaceutical company, has found itself at the sharp end of such a mood change. Its shareholders voted to reject the company's remuneration committee report, which would have paid Jean-Pierre Garnier, its Chief Executive, \$35m if he lost his job and treated him and his wife as three years older than they actually are for the purpose of increasing their pensions.

The vote is purely advisory, with no binding force. But it leaves the company in a sort of legal limbo. More importantly, it leaves boardrooms everywhere in a difficult position. The message of shareholder discontent with large executive pay packages and poor corporate performance has never been so clear.



# Reading: The rewards of failure



Company bosses have been slow to understand the new mood of outrage among shareholders. Shareholders have for years accepted that “fat cat” bosses paid themselves more or less whatever they liked. So it is uncomfortable to face criticism. But behind the criticism is a strong feeling that many chief executives are living according to quite a different set of rules from everyone else.

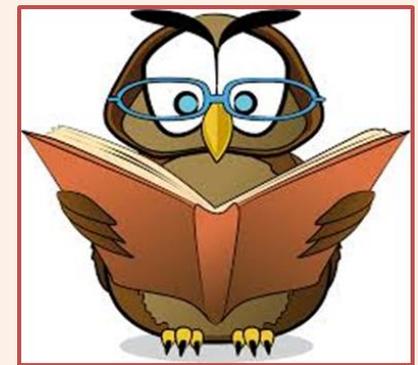
Although the value of most large companies has fallen considerably over the last few years, bosses have continued to pay themselves more. The value of their pensions has increased and they have struck lavish deals in the form of “golden parachute” severance deals to cushion their fall if they leave. Some of the aspects of Mr Garnier’s package that most irritated the shareholders were ones that appeared to reward not superior performance but simply being there. Lots of bosses have such components in their pay.



# Reading: The rewards of failure

Of course, companies may set up deals with bosses they no longer want in order to encourage them to go quickly and without a legal fight. But a generous advance promise to reward failure is no way to encourage success. Like the “guaranteed bonus” and the lifetime free dental treatment, it offers chief executives a one-way bet.

If the GSK vote makes companies cautious about such deals, that is welcome. The market for chief executives is far from perfect. There is no rate for the job, positions are often quietly filled rather than openly advertised and boardroom search committees rarely ask, “Could we get someone equally good even if we paid a bit less?” If the board now has to defend its compensation decisions publicly, it may be easier to say “We’d love to give you a golden parachute but the shareholders would make a fuss.” More fuss, please, from shareholders. It’s their company, after all ■



# Choose the best answer for each question

- 1 Who refused to approve GSK's remuneration committee's report?
  - a the board of directors
  - b the shareholders**
  - c the chief executive
- 2 The company is now in a difficult position because
  - a it had already agreed to the new pay packages.
  - b it has to decide whether to approve the report or not.**
  - c Jean-Pierre Garnier will take legal action.
- 3 What annoyed shareholders most about Garnier's pay package?
  - a It didn't reward his performance.
  - b His annual salary was too high.**
  - c There was no link to performance.
- 4 Badly performing executives are sometimes paid large sums to
  - a encourage them to perform better.
  - b persuade them to leave the company.**
  - c stop them from going to competitors.
- 5 The change in public mood will mean that in future
  - a salaries for chief executives will be lower.
  - b it will be harder to recruit chief executives.**
  - c all executive pay will be linked to performance.

**1 b    2 b    3 c    4 b    5 a**

# Vocabulary

1

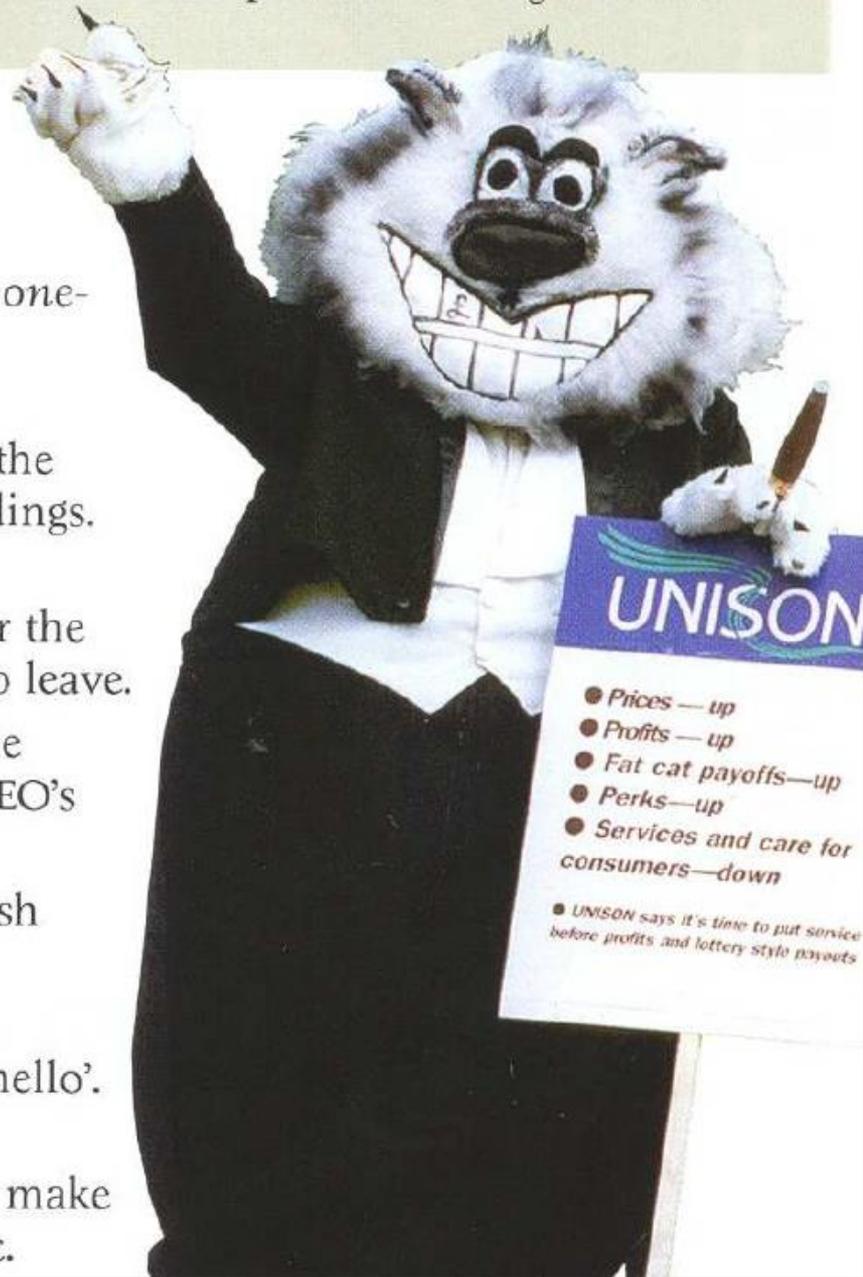
Replace the *italicised* words in the sentences with words and phrases from below

- Pension
- Reject
- Criticism
- Legal action
- Bonus
- Make a fuss
- Advise
- Compensation



pension reject criticism advise compensation legal action  
bonus make a fuss

- 1 Large companies are not used to *disapproval* from shareholders.
- 2 Our senior managers receive a one-off *payment* if they meet their targets.
- 3 The shareholders *don't accept* the remuneration committee's findings.
- 4 The CEO lost his *court case* demanding compensation after the board of directors asked him to leave.
- 5 The consultants *recommend* the company not to increase the CEO's pay.
- 6 The new CEO negotiated a lavish *retirement package*.
- 7 The *remuneration* committee decided not to offer a 'golden hello'.
- 8 The newspapers always *cause outrage* when large companies make their executive pay deals public.



**L** Match the words with the definitions.

- |                 |   |
|-----------------|---|
| 1 golden hello  | a right to buy /sell specific shares              |
| 2 bonus         | b large sum paid to a new employee                |
| 3 pension       | c highly paid executive                           |
| 4 stock option  | d money given when a contract is officially ended |
| 5 fat cat       | e extra money paid, usually as a reward           |
| 6 remuneration  | f payment made to retired people                  |
| 7 severance pay | g pay in the form of salary and extra benefits    |

# Multi-part verbs / phrasal verbs

## Type 1: without an object

When the *public mood* changes, the *realisation* can take time to **sink in**.

## Type 2: with an object

Of course, companies may **set up deals** with bosses they no longer want in order to encourage them to go quickly and without a legal fight.

Complete the sentences with the correct form of multi-part verbs from the box. Which verbs need an object?

point out   set up   look after   call on   buy up   step down  
get ahead   go under   break down   call off

- 1 If we hadn't bought up so many companies we wouldn't be so short of cash. (type 2)
- 2 The shareholders feel that he should really \_\_\_\_\_ because of the mess the finances are in.
- 3 We had to \_\_\_\_\_ the meeting because the export manager missed his plane.
- 4 Our sales executive will \_\_\_\_\_ you next week to show you our new range of products.
- 5 Could you please \_\_\_\_\_ the new recruit, she doesn't know where anything is.
- 6 Negotiations \_\_\_\_\_ after an hour because they just couldn't find a compromise.
- 7 If turnover is as low as last year we'll probably \_\_\_\_\_.
- 8 The only way to \_\_\_\_\_ in this company is to work harder than anyone else.
- 9 We finally \_\_\_\_\_ a subsidiary in Spain last year.
- 10 As she \_\_\_\_\_ in her presentation, competition is rising and prices are falling.

# Vocab 2: match the multi-part verbs

1. Point out
2. Set up
3. Look after
4. Call on
5. Buy up
6. Step down
7. Get ahead
8. Go under
9. Break down
10. Call off

- a. establish/found
- b. stop
- c. manage
- d. buy
- e. cancel
- f. resign
- g. fail/go bankrupt
- h. observe/remark
- i. turn to/visit
- j. be successful



# Vocab 2: Multi-part verbs

1. Point out
2. Set up
3. Look after
4. Call on
5. Buy up
6. Step down
7. Get ahead
8. Go under
9. Break down
10. Call off

- = observe/remark
- = establish/found
- = manage
- = turn to/visit
- = buy
- = resign
- = be successful
- = fail/go bankrupt
- = stop
- = cancel

# Listening ex 1

**1** How would you decide what remuneration to offer a new CEO? Listen to part of a business school seminar about CEOs' pay and complete the sentences.

- 1 Decisions about the salary level of a new CEO are often made by ...  
*a selection committee and recruitment consultant.*
- 2 The new CEO's salary is decided in the following way: ...
- 3 The risk of this kind of approach is that ...
- 4 A recent report revealed that ...
- 5 The remuneration packages of CEOs might become more acceptable if ...

# Listening ex 2

**2** Check that you understand the following words about executive selection. Then listen again. Which three words or phrases are not in the tapescript?

trend

industry

average

pay package

remuneration

salary

consultant

peer

procedure

turnover

tenure

vacancy

choice

appointment

golden parachute

contract

scandal

position

benchmarking

compensation

employee

shareholder

committee

share option

golden hello

selection

comparison

# Present perfect and past simple

Study the examples of the present perfect and past tenses taken from the text on page 35 and answer the questions below.

- a *Company bosses **have been** slow to understand the new mood of outrage among shareholders.*
  - b *... a big pharmaceutical company, **has found** itself at the sharp end of such a mood change.*
  - c *... poor corporate performance **has never been** so clear.*
  - d *Its shareholders voted to reject the company's remuneration committee report ....*
- 1 Which sentences refer to recent or unfinished time? Which tense is used?
  - 2 Which sentence refers to finished time? Which tense is used?

# Present perfect and past simple

## Present perfect

- Recent and unfinished actions
- Recent and unfinished time:
  - This
  - Never
  - Ever
  - The last few
  - Since
  - Recently
  - Today, yet, already ....

## Past simple

- Finished actions
- Finished time:
  - ago, yesterday
  - In 2005
  - On Tuesday
  - Last week
  - 8 April

# Reading 2

## A controversial court case

- **Take someone to court (v):** take legal action against them.
- **Breach of contract (n):** an act of breaking the terms set out in a contract.
- **Managing director (n):** the person who is in overall charge of the running of an organization or business.
- **Interest rate derivative (n):** a financial product that gives the right to pay or receive an amount of money at a future time, based on a particular interest rate.

# Reading 2

## A controversial court case

Complete the text below with the appropriate tense of the verbs

# A controversial court case



Cantor Fitzgerald (<sup>1</sup>be) *has been* tragically famous since September 11th 2001, when it (<sup>2</sup>lose) \_\_\_\_\_ 658 of its staff in the World Trade Center. Recently, it (<sup>3</sup>appear) \_\_\_\_\_ back in the news in Britain because one of its staff (<sup>4</sup>take) \_\_\_\_\_ it to court for breach of contract. Steven Honkulak (<sup>5</sup>be) \_\_\_\_\_ the managing director of interest rates derivatives, which is a highly stressful job but he (<sup>6</sup>earn) \_\_\_\_\_ £400,000 plus bonuses.

However, his boss, Lee Amaitis, who (<sup>7</sup>work) \_\_\_\_\_ with the company for many years is a very tough and aggressive man. Mr Honkulak claims that Mr

Amaitis, regularly (<sup>8</sup>threaten) \_\_\_\_\_ to dismiss him and (<sup>9</sup>cause) \_\_\_\_\_ him so much stress that he (<sup>10</sup>start) \_\_\_\_\_ to drink and take medication. He finally (<sup>11</sup>leave) \_\_\_\_\_ the company and (<sup>12</sup>ask) \_\_\_\_\_ for £1m compensation. The company defended itself by saying 'Mr Amaitis (<sup>13</sup>contribute) \_\_\_\_\_ to the success of this company with his vision and hard work. Mr Honkulak, however (<sup>14</sup>want) \_\_\_\_\_ the rewards of the senior position but his weaknesses made him unable to cope with the job.' The judge awarded Mr Honkulak £1m, saying that there are limits beyond which no employer should go.

# Reading 2

## A controversial court case

2 lost

5 was

8 threatened

11 left

14 wanted

3 has appeared

6 earned

9 caused

12 asked

4 has taken

7 has worked

10 started

13 contributed





# Culture

## Fixed objectives or flexibility?

- **Objective-focused** cultures clearly define objectives and detail roles and tasks in writing.
- **Flexible cultures** build relationships first and let goals develop with the relationship

**This difference may cause misunderstanding in multicultural teams**

# Culture at work

## Fixed objective or flexibility?

### **Flexibility**

Ways of working vary between cultures. People from different backgrounds have different expectations about what is normal, which may lead to tensions. For example, while it is dangerous to suggest stereotypes, German business people would typically expect to have fixed objectives for a meeting or project and would feel the need to know the constraints they might be working under. On the other hand, Saudi business executives might feel rather constrained by such a way of working and might prefer to use meetings to become comfortable with their business partners before signing any agreements. NB Ways of working may be affected by organisational culture as well as national culture.

# Culture at work

## Fixed objective or flexibility?

	Fixed objectives	Flexible working
<b>Objectives</b>	People specify the objectives at the start of a project.	It is important to build a close relationship first. The partners can develop their objectives as they get to know each other.
<b>Communication style</b>	It is usual to explain everything in detail, write everything down and refer to the objectives often.	It isn't necessary to give detailed explanations because the partners understand each other: people are less specific and more flexible.
<b>Evaluation</b>	Partners evaluate the project on the basis of whether they have achieved the agreed objectives.	Partners evaluate the project on the basis of whether everybody is satisfied.

# Vocabulary

## **Vocabulary 1**

“Fat cats”; advise; appointment; average; benchmarking; Board (of directors); bonus; CEO: Chief Executive Officer; compensation; corporate performance; criticism; golden hello; golden parachute; (to) hire/employ; job advert; legal action; make a fuss; outrageous; pay deal; pay package; pension; recruit/recruitment; reject; Remuneration committee (UK)/ Compensation committee (US); remuneration; reward; salary; severance deal; share/stock option; tenure; top senior manager; turnover; vacancy; wage.

## **Vocabulary 2 – phrasal verbs (with synonyms)**

Break down (interrupt); buy up (buy); call off (cancel); call on (ask, visit, seek help); catch up (compensate for time lost); get ahead (be successful); go under (fail, go bankrupt); hand back (return, give back); look after (be in charge of, manage); point out (observe, remark, notice); run into (have/face); set up (establish, found); shut down (close, switch off, cease to operate); sink in (be absorbed/assimilated); step down (resign); turn up (arrive, be present, attend).

