

Selling off a line of business

Summary of story

Viljoen (pronounced *Viljohn* by English speakers), a South African insurance company, is in serious financial trouble. It has already done all it can to return to profitability, but competition is too strong. One way to avoid being closed down or taken over could be to sell off one of the lines of business – vehicle, life, property, health or personal pensions. Managers meet to decide if this is the solution, and which line, if any, to sell.

business are integrated in some ways, whether it be in sales (you do not usually compete with your own products), communication (a subsidiary must give the same image as the parent company), personnel (employees will have been transferred to other departments, retrained or promoted within the group) or production (products and parts will have been standardized). Viljoen, being an insurance company, might find it particularly difficult to sell off a line of business. The problem in sales is just one illustration of this: many branches and agencies sell all the products, and salespeople would be unhappy about losing part of their business.

Timing

Introduction (*optional*): 15-20 minutes

Preparation: 15-20 minutes

Simulation: 30-60 minutes

Follow-up (*optional*): 10-30 minutes

Total: minimum 45 minutes, maximum 130 minutes

Introduction

This quiz is in the form of a maze. Students can do it alone or in pairs. It is a light-hearted introduction to the subject of what a firm can or should do if it is in financial trouble. If you notice that they are going round in circles, for example from number 2 to number 6 and back to number 2, tell them to try the other option. The way out of the maze is number 13. The answer to the question is: *She has left you all her money*. To encourage discussion when they have finished, you can ask students to explain their choices, particularly in numbers 1, 2, 8 or 12.

Simulation

See General notes for teachers on page 2.

Business background

Firms regularly seek to sell off part of their activity for a variety of reasons, for example financial losses, a wish to concentrate on a core activity, or to raise capital for expansion in other areas. Selling off any sector is never easy, even if it is involved in an activity quite different from other lines of business. Inevitably, different lines of

Outline of roles

- A:** Chief Executive: thinks it is essential to sell off a division: favours selling off personal pensions line of business as it is the least integrated.
- B:** Sales Manager: does not want to sell off any part of the business, but if it has to be done, would propose the health line. Is against the sale of the vehicle line.
- C:** Claims Manager: suggests vehicle insurance line of business for sale. It is difficult to make profitable because of the high number of claims. Is against the sale of the personal pensions line.
- D:** Investment Manager: does not want to sell off any line of business, as this would diminish the amount of funds for investment. If one line must be sold, would propose selling property insurance line of business, as this is a short-term investment area.
- E:** Marketing Manager: wants to sell off life insurance, as it is very different from the other lines. Is against selling vehicle, property or health.
- F:** Personnel Manager: is unhappy about the idea of selling off any sector, and very concerned about the redundancies it is likely to cause.
- G:** IT Manager: thinks that vehicles or personal pensions would be the best to sell because of the high price the firm would get for the sophisticated computer programs.

Possible outcome

This is very difficult to predict, except that there is a good chance participants will choose to sell off one line of business or another, rather than deciding to keep them all. This is because, although certain roles have good arguments against a sale, there are only three of them, and they do also have suggestions for lines of business to sell off. There are good arguments in favour of selling any line of business, and the outcome really will depend on how well students argue their case. Life insurance is the only line of business which has two people arguing in favour of its sale, and only one person against. This might give it a chance of being chosen when you have seven participants.

Vocabulary

ageing: getting old

to amalgamate: to join together, to make one business out of two

autonomous: independent

to back down: to give in, to accept the other person's point of view

bank charges: what a bank might make you pay for its services

a burglary: when a thief breaks into a property and steals things

a candidate: something which is suitable, a possibility

a claim: what you make to your insurance company to get reimbursed for loss or costs

core: the main, principal part

direct banking: using a bank without going to a branch, e.g. by telephone or mail

an entity: a whole, something distinct

integrated: part of a unified whole, not autonomous, possibly difficult to separate from the whole

a line of business: one particular area of business

on no account: in no case, by no means

a pension: money paid to retired people

productivity: efficiency, how much employees do or make to earn money for the company

property: buildings and, in insurance terms, furniture and belongings you have inside them

to be made redundant: to lose one's job, usually because your employer's firm is closing down, or reducing the number of employees

a strike: refusal to work by employees, as a form of protest

a subsidiary: part of a group owned by a parent company

a takeover: purchase of one company by another

tenfold: ten times, multiplied by ten

a unit trust: investment trust which allows investors to invest in a variety of companies chosen by the bank