

Questions 1-6

- Read the article below about business start-ups and answer questions 1-6 on the opposite page.
- For questions 1-6, mark **one** letter **A, B, C** or **D** on your Answer Sheet.

MERGERS CAN BE SUCCESSFUL

Mergers are always headline news. Some financial commentators even regard them as an indicator of the economic health of a nation. Which is strange when you consider that most mergers and acquisitions fail. The deals themselves go through, and regardless of the high costs, the bankers get paid. But then the expected economies of scale prove elusive and there are clashes of corporate cultures. Employees become nervous and less efficient as they worry about losing their jobs.

Depending on whose research you believe, 50 to 80 per cent of acquisitions fail to fulfil the strategic objective for which they were designed. Given all this, it is interesting to see a merger which is successful. And that is what seems to have happened when Promo and Truck Ads merged.

Eva Lendel started Promo in 1991, the same year Paul Watson founded Truck Ads. Both companies did the same thing: they ran poster campaigns on trucks for major advertisers. It was a new medium and both companies expanded quickly. It looked so easy and profitable that lots of small operators came into the business –which worried both of them because they felt that these new companies did not really know what they were doing. This, they felt, could have a negative effect on all companies in this sector. So Lendel and Watson formed a trade association to protect the reputation of their businesses. ‘Out of all these companies that mushroomed up,’ say Watson, ‘almost none have survived. They just didn’t offer a professional service.’

Once they had the market largely to themselves, Lendel and Watson competed in some situations and collaborated in others. Whenever one had more campaigns than they could handle, they would subcontract to the other. Finally, Lendel suggested that her company buy Truck Ads. It helped that Lendel and Watson had many business values in common. And they knew they would lose business opportunities if they did not get bigger.

In negotiations Lendel and Watson were not afraid to tackle the problems that so many companies avoid. They agreed that, as Promo was the larger company as well as the acquirer, Lendel would be the new boss and Watson her deputy. There was no nonsense about joint leadership or everything staying the same.

Turning two workforces into one is never easy. ‘Once the merger had gone through, I was relieved that there had been no redundancies,’ says Lendel. ‘I hadn’t realised, though, how much loyalty there was to the Truck Ads brand. This impressed me but also worried me as we had wiped away the brand overnight. So I brought in lots of policies to make everyone feel part of the team and then I saw every employee individually to explain the advantages of the merger for them.’

‘Merger costs are high,’ says Lendel. ‘Lendel expenses alone can wipe out any upside. But not this time. I didn’t think we’d cover our huge legal fees for a year, but we managed to do it in three months. In fact, those costs made us push hard for new business.’

- 1 According to the first paragraph, what is one reason why mergers and acquisitions often fail?
- A The costs involved are too high.
 - B The companies involved have different attitudes to business.
 - C The merger or acquisition is not given a clear goal.
 - D Staff leave because they feel their jobs are not secure.
- 2 Lendel and Watson thought that many of the smaller operators in the industry
- A lacked professional standards.
 - B had expanded too quickly.
 - C wanted to set up a trade association
 - D were making excessive profits.
- 3 Before the merger, Lendel and Watson were aware that the two companies
- A were already beginning to lose business.
 - B had different strengths and weaknesses.
 - C were doing too much subcontracting.
 - D had similar ideas about business.
- 4 During negotiations, Lendel and Watson decide that
- A the two of them could not worktogether.
 - B one person would be in charge of the new company.
 - C there would be no major changes in the new company.
 - D the size of Promo could lead to problems.
- 5 What did Lendel do after the merger had been completed?
- A She began putting staff in different teams.
 - B She refused to make any staff redundant.
 - C She explained to all staff how the merger would benefit them.
 - D She congratulated the staff on their loyalty to the new company.
- 6 What does Lendel say about the company's legal costs?
- A They were cleared more quickly than expected.
 - B They had to be settled within a year.
 - C They were not so high as she had expected.
 - D They were reduced in return for early settlement.

Questions 7-12

- Read the article below about responding to crises and answer questions **7-12** on the opposite page.
- For questions **7-12**, mark **one** letter **A, B, C** or **D** on your Answer Sheet.

Companies are never prepared for crises when they strike. Their onset cannot be predicted: and the means of dealing with them, in terms of time and magnitude, can be decided only by those in a position of responsibility. These persons must be prepared to identify and implement the appropriate countermeasures rapidly and rigorously. At present we know as much, more or less, about the inception and consequences of economic crises as we do about the origins and effects of earthquakes. Generally, even though there is ample early-warning including reports and prognoses from various institutes, preliminary indicators of recession, or even depression, are almost never taken seriously.

Furthermore, there is an all too widespread tendency to gloat over the damage suffered by others rather than considering that, sooner or later, the problems will have an impact closer to home. At this juncture, market slumps may be referred to as *dips* that will even out in a few weeks or months, at the least.

At any rate, suddenly it's there on the doorstep: the crisis. The accompanying systems include disquiet within the company, far more attention than usual from the news media, a deluge of indiscretions, rumours bandied about in every direction, and a loss of confidence on the part of shareholders and bankers. The company's executives are compelled, with increasing frequency, to explain their actions while, at the same time, steadily losing their grip on the situation. At this point the first resignations come in from staff anxious to abandon ship before even more violent storms blow up. Polarization between management and works council becomes evident, and culminates in the stereotype question as to how the company can be got out of the exigency.

If management has not already come up with a package of countermeasures, the crisis swiftly becomes sharply critical throughout the firm . at the expense of staff motivation and productivity on the one hand, and public regard on the other. This is more or less the way recession develops as an emergency case, in a company and in the economy as a whole. Differences in how events unfold come only with the diagnosis and treatment of a crisis once it has arisen, and in preventative measures for the future. The nature of the reaction has very much to do with the personalities involved.

Proven means . like those extolled in textbooks at just such times . are, in my view, few and far between. They are usually confined to the sort of approaches that should be part of any competent executive's repertoire anyway. Whether a company communicates effectively with its personnel and public in the midst of a recession is more or less a matter of coincidence. In other words: are the right people in the right place at the right time?

The person responsible for a company's communications sits at the same table where policy is determined. He or she answers directly to the chief executive officer because communications are, or should be, an essential component of overall corporate policy. He or she advises senior management and is, on the basis of his or her experience, the key figure in deciding matters of internal or external communications. If this is actually the case, then the preconditions of communicating through a crisis have been established. Communications can then contribute to smoothing the way out of the emergency, while helping to make the company's restructuring measures intelligible both internally and externally.

- 7** What is part of the writer's purpose in referring to earthquakes?
- A to highlight the unavoidable nature of economic crises in most cases
 - B to indicate how wide the range of information is about economic crises
 - C to emphasise the dangers that the majority of economic crises bring
 - D to suggest signs of approaching economic crises are unfortunately ignored
- 8** The word 'dips' is used and printed in italics in line 10 because
- A the writer is quoting business people whom he thinks are mistaken.
 - B business people use it in order to sound very technical.
 - C the writer regards it as a useful term for readers to remember.
 - D business people who use the word do not understand its meaning.
- 9** What feature of a crisis is mentioned in the third paragraph?
- A demands for compensation from staff facing redundancy
 - B spreading of unreliable reports about the situation
 - C pressure on directors from journalists to admit mistakes
 - D cancelling of scheduled meetings with investors
- 10** What point is made in the fourth paragraph?
- A Different characteristics of businesses make preparing for crises impossible.
 - B Most businesses evaluate the effects of crises in similar ways.
 - C The pattern of development into severe crises is quite predictable.
 - D It is impossible to separate production and motivation levels during crises.
- 11** According to the writer, a company's degree of success in responding to a crisis
- A can be enhanced by the use of tried and tested methods.
 - B reflects its collective understanding of established knowledge.
 - C will benefit from being energetically conducted by the CEO.
 - D is dependent on the abilities of certain of its key personnel.
- 12** The final paragraph is concerned with asserting
- A the importance of re-structuring systems of company communications.
 - B the need to address communication issues at the highest level.
 - C the skills required of a company's head of communications.
 - D the variety of management roles affected by communication issues.

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