

BEC Practice Test – Vantage

READING TEST PART ONE

Question 1 – 7

- Look at the statements below and the extracts from an article about the company AT&T.
- Which section (**A**, **B**, **C** or **D**) does each statement refer to?
- For each statement **1 – 7**, mark one letter (**A**, **B**, **C** or **D**).
- You will need to use some of these letters more than once.

Example:

AT&T used to be a very well-respected company. **A**

- 1** AT&T lost a lot of money when it sold off two of its businesses.
- 2** AT&T turned down an offer by high-ranking officials.
- 3** The boss at AT&T spent too much on buying other companies.
- 4** AT&T sold one company for almost four times what it paid for it.
- 5** At one stage, AT&T faced huge financial problems.
- 6** AT&T could not cope with the speed of computer manufacturing.
- 7** AT&T wasn't given permission to move into the area of computing.

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A

At the time of the company's break-up in 1984 AT&T had around one million employees and was admired by the business world. So what went wrong? AT&T underestimated how important wireless communications would become. At the time of the break-up, AT&T relied on a report by McKinsey, a consultancy, that claimed there would be fewer than one million wireless phone users by 2000. In fact there were 740m. Cellular technology was then unreliable, so AT&T decided not to enter this small market – until 1994, when it spent \$11.5b buying McClaw Cellular, which was sold recently for \$41b.

B

The second mistake was in computing. AT&T expected to become a powerhouse in computers. Getting rid of the slow-moving local operators and retaining the Western Electric equipment business seemed a brilliant way forward. AT&T even bought a computer maker, NCR, in 1991. But the fast-moving computing industry did not suit the company. The equipment side of the business struggled because a number of local operators refused to buy from one source and, instead, bought from a variety of different firms. In 1999 AT&T broke itself up further, losing Lucent and NCR, at huge financial loss.

C

This was the beginning of the commercial internet, yet AT&T was nowhere. It had even rejected numerous requests from American national advisors over three decades to operate the internet backbone. It missed the potential of the internet despite it running over the company's long-distance lines. In the 1970s, its Bell labs developed the UNIX computer operating system, which still powers most of the world's large corporate computers. Unfortunately, at that time AT&T was prevented by regulators from moving into computing, so UNIX was commercialised by others.

D

The third mistake was to buy cable operators in the late 1990s. This was the right strategy at the wrong time and at too high a cost. At the height of the technology boom AT&T's then top manager paid over \$100 billion for the cable firms TCI and MediaOne. Hardly a year later, the company faced a debt crisis. It had to abandon the firms it had just bought and, with them, the strategy of offering a range of communication services – a strategy now regarded as the likeliest way to succeed.

Adapted from The Economist by Louise Pile
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