



Lecture International Corporate Strategy (WT 09/10) - Final Exam

Course No.: 20114; Lecturer: Prof. Dr. Birgitta Wolff

Final Exam

In the Final Exam to this class, you will have one hour to solve the problems with a maximum of 60 points. There are a few pieces of general advice we can offer at this stage:

1. Use the theoretical tools and terminology you have learned in class and from the textbook.
2. Make sure there is a clear structure in your argument. (Use some time to sort your ideas before you start writing the version you want to submit, esp. if you answer B).
3. Use the time you have! If you are ready much earlier than we planned you should wonder if you forgot something.
4. Remember: people have to be able to decipher what you write.
5. Leave a margin for our comments, so we can give you a more detailed feedback than just the number of points.
6. You are welcome to use a dictionary and a calculator.

Here is the set of problems:

Please solve *either* part A *or* part B!

Part A (max. 60 points)

Answer *only* 4 of the following 5 questions! (max. 20 points for each question)

1. A company's management team implemented a new strategy three years ago. Now the team wants to evaluate whether or not the strategy was a success. The capital employed in the strategy was: t1 = 10, t2 = 44, and t3 = 10 (all in mill. US\$). The operating revenues and the operating expenses of the company are as follows:
operating revenues t1 = 140, t2 = 130, t3 = 130 (all in mill. US\$); operating expenses t1 = 60, t2 = 80, t3 = 40 (all in mill. US\$). Calculate the return on capital employed (ROCE) for each year. First, compare the company's strategy performance across the three periods, then compare the strategy performance to the major national competitor (ROCE: t1 = 5, t2 = 3, t3 = 7), and, finally, compare the strategy performance to the international industry average (ROCE: t1 = 7, t2 = 6.5, t3 = 7.5). What are your conclusions and suggestions for the future strategic direction of the company? Briefly discuss the potential problems related to ROCE.
2. Describe and explain the impact of a corporation's value chain from a corporate social responsibility perspective. You are welcome to use examples to illustrate your findings.
3. Describe and explain the different perspectives included in the Balanced Scorecard in the context of an international strategy. Give real or stylized examples to support your statements.
4. What are the six types of external factors that should be examined as part of a PESTEL analysis? Give an example of each type of force.

5. Explain the various sources and uses of funds to finance a MNC's international strategy.

Part B (max. 60 points)

What considerations should guide the strategic decision of the Chinese online game company maker to expand into the US market? Discuss opportunities, risks, as well as appropriate strategies and organizational forms, using economic terminology.

Shanda Games buys U.S. firm to expand global presence

SHANGHAI (Reuters) - China's second-largest online game company Shanda Games made its first U.S. acquisition on Tuesday, buying online game firm Mochi Media for \$80 million, to advance its global ambition and consolidate its position in an increasingly competitive Chinese market.

The deal, which comprises \$60 million in cash and \$20 million in equity arrangements, is also the firm's largest buy to date, its chief executive said. As a result of the acquisition, Shanda Games will be able to diversify from operating multiplayer online role-playing games with most of its user base in China, to gaining access to Mochi's portfolio of 15,000 web-browser games and an international user base.

"This is international expansion for them," said JPMorgan analyst Dick Wei. "The target company has good distribution capabilities overseas. So potentially Shanda can distribute through this platform and domestically distribute 15,000 games," Wei said. Shanda Games competes with Tencent Holdings in China's online game industry, worth \$4 billion in 2009 according to research firm iResearch. Shanda Games was overtaken last year by Tencent who became China's largest online game player. Tencent runs a games portfolio of mainly web-browser games. San Francisco-based Mochi Media runs a platform to distribute online games and has 140 million monthly active users. It earns most of its revenue from advertising. The deal is expected to close in the first quarter of 2010.

EYEING MORE BUYS

Shanda Games, which was spun off from Shanda Interactive Entertainment last year in a \$1 billion initial public offering, will be looking for more buys on the content sourcing and development front, its chief executive said. "At this time we always keep our mind open to great opportunities in content and to strengthen our platform," Diana Li told Reuters in an interview, adding that nothing immediate was on the horizon. Shanda Games announced last Friday that it would buy Shanghai-based online game developer Goldcool Games, but did not reveal the acquisition price. Li said it will fund the buys through its IPO proceeds and free cash and had no target number of acquisitions for the year. The Government of Singapore Investment Corp. Singapore's biggest sovereign wealth fund, bought a 5.4 percent stake in Shanda Games, according to a regulatory filing made a few weeks after Shanda's IPO last year.