



OTTO VON GUERICKE
UNIVERSITÄT
MAGDEBURG

WW

FAKULTÄT FÜR
WIRTSCHAFTSWISSENSCHAFT

Lecture International Corporate Strategy (WT 11/12) - Final Exam

Course No. : 20114; Lecturer: Jun.-Prof. Dr. C. Schlägel

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.
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* 5 of the following 6 questions! (max. 12.5 points for each question)

1. Use Porter's Five-Forces Model to evaluate competitiveness within an industry of your choice.
2. For a company of your choice, conduct a SWOT analysis (4 key factors for each part). What does the SWOT analysis tell us about the competitive position of a company?
3. Using the CAGE framework, evaluate the relative distance of a possible overseas markets (located in a host country of your choice) to expand into for an entrepreneurial company (located in a home country of your choice).
4. Using a company of your choice, describe the different parts of the strategy formulation/strategy implementation process.
5. Briefly describe the different forms of licensing and franchising. Compare franchising, licensing, and two other organizational entry modes with respect to their advantages and disadvantages (including contractual risks). What organizational entry mode would you recommend for an attractive overseas market for a small company?
6. Discuss the advantages and disadvantages of product standardization and product customization. Name product categories for which little, moderate, and extensive modification is required (three examples respectively).

Good luck!

Part B (max. 60 points)

How is corporate social responsibility related to strategic management? What changes, if any, does Apple need to put in place to ensure compliance with corporate social responsibility issues? Do companies always need to behave ethically regardless of the costs? Use management tools and economic terminology to answer these questions and evaluate the example given in the article below.

Is This Apple's Nike Moment?

Secrecy has been a hallmark of Apple's corporate strategy, and it has served the electronics manufacturer well, giving it space to wow the market time and again with groundbreaking new products. But in the last year, that secrecy has become a liability, as a Chinese coalition of NGOs has drawn attention to Apple's lack of transparency, especially when compared to its competitors. Last week, in a move that seems to address its critics, Apple released its 2012 Supplier Responsibility Progress Report – including a list of most of its suppliers. That may seem like a no-brainer for a supplier responsibility report, but until now, Apple has kept the list secret, citing confidentiality concerns. This process of a famous international company slowly opening up and making its corporate social responsibility (CSR) improvement efforts transparent echoes the experience of U.S.-based sportswear company Nike, which became infamous in the 1990s for its exploitative manufacturing practices, including the use of sweatshops and child labor. Asian watchdog groups took the message to the media, spurring boycotts by groups like United Students Against Sweatshops. Through these efforts, Nike was shamed into CSR submission, eventually disclosing the names and locations of its factories. Nike still struggles to ensure that its factories live up to its code of conduct and sometimes it falls short – but its efforts and transparency alone seem to have helped its public image. The information technology industry has lagged behind textiles on CSR issues, particularly in regard to supply chain management. Apple has been a favorite target of the Chinese NGOs for supply chain issues, including water pollution and workers' rights, in part due to its high profile and glossy image. As I reported last August, the Institute of Public and Environmental Affairs (IPE), a Beijing-based nonprofit organization, is using government information and enforcement data to track pollution across China. IPE brought together 37 local NGOs to form the Green Choice Alliance, which advocates for reduced consumption of energy, water, and natural resources; increased use of renewable energy; decreased waste and pollution; and improved treatment of waste byproducts. IPE published a report, *The Other Side of Apple II – Pollution Spreads through Apple's Supply Chain*, in September 2011, ranking Apple last for transparency out of 29 top IT companies. IPE was spurred to publish this report, which investigated claims of labor and environment abuses by Apple suppliers, because Apple was alone in ignoring its outreach to the IT companies in its first published report in April 2010. (IPE did its own research to try to determine Apple's suppliers.) Many subsequent attempts to engage in dialogue with Apple also failed, said Ma Jun, director of IPE, and Xiu Min Li, former director of the China program at Pacific Environment, a U.S. nonprofit that collaborates with IPE. Through a spokesperson, Apple contended that it did respond to these concerns via its Apple Supplier Responsibility 2011 Progress Report, published in February 2011. The report gave special attention to employees' suicides at factories of manufacturer Foxconn (at least 17 workers have committed suicide at its plants since 2010) and a 2009 incident in which workers were poisoned by n-hexane, a solvent. It listed other violations in the back in an appendix. Xiu said that a one-sided report was a weak substitute for dialogue, as it did not allow for independent verification of claims. Even *The Daily Show* recently noticed Apple's recent spate of bad press regarding allegations of human rights abuses, including low wages, unpaid overtime, and lack of adequate safety measures, in contractor factories. In reference to Foxconn's stringing up nets to catch suicidal jumpers, Stewart said, "In Western medicine, we call that treating the symptom!" (To cut to the chase, start around 7:25.) In addition to listing most of its suppliers, Apple's 2012 report also highlights its growing number of audits throughout its supply chain, training programs to educate workers about their rights, a crackdown on underage labor, and education opportunities for workers. In 2011, we conducted 229 audits throughout our supply chain — an 80 percent increase over 2010 — including more than 100 first-time audits. We continue to expand our program to reach deeper into our supply base, and this year we added more detailed and specialized audits that focus on safety and the environment. While Apple is moving in the right direction, this report doesn't mean that their products can now be enjoyed guilt-free. Multi-tiered supply chains are hard to manage in an era of globalization. "If you've got an office in Shenzhen or Hong Kong, it's very hard to keep tabs on the perhaps thousands of factories you have across China in any given moment," said Andrew Hutson, project manager for corporate partnerships with Environmental Defense Fund. While companies usually work most closely with their assembly factories, problems are more likely to arise in the primary or secondary processing of materials, he said. That is true of the IT industry, including Apple, which rarely audits all the way down to the base of its supply chain. Most efforts are still focused on the assembly plants.

Good Luck!