UGANDA MARTYRS UNIVERSITY, LUBAGA, MASAKA AND MBALE CAMPUSES

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF MANAGEMENT SCIENCE & ENTREPRENUERSHIP

MBA PT II

SEMESTER TWO 2023/2024

COURSE UNIT: INTERNATIONAL BUSINESS STRATEGY

CODE: MBA 7228

DATE: 12th OCTOBER 2024

TIME: 3 HOURS

Instructions:

- Carefully read through ALL the questions before attempting
- Do not write anything on the question paper
- Section A: QUESTION ONE IS COMPULSORY
- Section B: Attempt only Three (3) Questions
- Write Neatly and Clearly

SECTION A

Question One

Compulsory (40 marks)

Case of Acer Metta

Rashim Metta and the Growth of Metta Steel:

In 2007 a controversial merger between Metta Steel and Acer closed, creating AcerMetta. The merger was the brain child of Metta CEO, Rashim Metta and his son, Aditya. Under Rashim's leadership, the family owned Metta Steel had grown from obscure origins in India to become the largest steel company in the world. The story dates back to the early 1970s. At that time, the family-owned company was facing limited growth opportunities in India. Regulations constrained expansion opportunities, and Metta was facing competition both from state-owned rival, Sail, and a private national champion, Tata Steel. So Rashim's farther financed his son, helping him set up a steel-making plant from scratch in Indonesia in 1975.

To reduce costs in his Indonesian plant, Rashim did not smelt iron ore, but instead directly purchased reduced iron pellets. His supplier of these pellets was a struggling state-owned steel firm in Trinidad. Impressed by Rashim's success in Indonesia, in 1975 the Trinidadians asked him to turn their firm around under a contract. Metta set up another company to run the Trinidad plant. In 1989, after a successful turnaround, Metta purchased the Trinidadian plant in its entirety.

Now the company that had been born in India had two major foreign operations, but that was just the beginning. The global steel industry had been in a slump for a quarter of a century due to excess capacity and slow demand growth as substitute materials replaced steel in a number of applications, but Rashim saw opportunity in purchasing the assets of distressed companies on the cheap. His belief was that the global steel industry was about to turn a corner, driven in large part not only by sustained economic growth in developed nations, but also by growing demand in newly industrializing nations including China and his own native India. He saw all sorts of opportunities for buying poorly run companies as they came up for sale, injecting them with capital, improving their efficiency by getting them to adapt modern production technology, and taking advantage of the coming boom in steel demand. He also saw the opportunity to use the purchasing power of a global steel company to drive down the price it would have to pay for raw material inputs.

In 1992 Rashim made his next move, buying Sibalsa of Mexico, a state-owned steel company that was being privatized. This was followed in 1994 by the purchase of the fourth-largest Canadian steel maker from the government of Quebec. Then in 1995 there was the purchase of a midsized German steel maker and Kazakhstan's largest steel maker, which was at the time in disarray as the country transitioned from a socialist system to a more market-based economy. By this time, Rashim was hungry for more international growth, but his company was capital constrained. So he decided to take it public, but not in his native India or Indonesia, where the liquidity of the capital markets was limited. Instead, 1997 he moved the company's headquarters to Rotterdam, and then offered stock in Metta Steel for sale to the public through both the Amsterdam and New York stock exchanges, raising $776 million in the process.

With capital from the IPO, Metta purchased two more German steel makers in 1997. This was followed in 1998 by the acquisition of Inland Steel Company, a U.S. steel maker. Over the next few years, more acquisitions followed in France, Algeria, and Poland among other nations

In 2005, Metta purchased International Steel, a company formed from the integration of troubled U.S. steel makers that had been in bankruptcy. By this time Rashim's prediction had come true; global demand for steel was booming again for the first time in a generation, driven in large part by demand in China, and steel prices were hitting record highs. The industry's rebound prompted Metta, now the world's largest steel maker, to offer $32 billion in hostile takeover bid for Acer, a European firm formed from the merger of steel makers from Luxembourg, France, and Spain. The acquisition was bitterly contested, with the management of Acer and no small number of European politicians opposing the acquisition of a European company by an Indian enterprise (although ironically, Metta Steel was now legally a Dutch company). Acer's shareholders, however saw value in the deal, and ultimately approved it in late 2006. In 2007 the new firm, now headquartered in Luxembourg, generated sales of $110 billion and net income of $10.2 billion, making it by far the world's largest steel company

Respond to the questions:

1) What influence Metta Steel to start expansion across national borders? (**5 marks)**

2) What benefits does Metta Steel get from entering different nations? **(5 marks)**

3) What strategies did Metta Steel use to expand into different nations? **(5 marks)**

4) what strategies did Metta Steel use to maintain competitive advantage?(**5 marks)**

5) The acquisition of Acer was very acrimonious, with many politicians objecting to it. Why do you think they objected? (10 marks)

6) What ways did a company use to minimize risks and succeed in international trade? **(10 marks)**

SECTION B:

IN THIS SECTION: ATTEMPT ONLY THREE (3) QUESTIONS

Question Two

a. What is the distinction between globalization and global strategy?**(10 marks)**

b. Which of these strategies (Licensing, Foreign Direct Investment, or Franchising would you use to enter a foreign market? explain why? **(10 marks).**

Question Three

a) One of the most common entry strategies for multinational corporations is a Foreign Direct Investment. Why are so many companies opting for this strategy? **(10 marks)**

b) Identify and explain strategies small companies use to compete and sustain their business globally **(10 Marks)**

Question Four

a) What is distinction between ethnocentrism and polycentric approach?**(10 marks)**

b) Identify and explain the challenges of an international division structure for a firm with global operations **(10 marks)**

Question Five

a) Describe the theories of absolute and comparative advantage, and show how they are applied in trade? **(10 marks)**

b) Use examples, describe how businesses use a triple-A framework or a Strategy tripod framework to design and implement a global strategy (10 marks).

Question Six

a) Use Porter's framework to explain why some companies are more competitive in certain nations than in other countries? **(10 marks)**

b) With examples, explain how businesses assess and mitigate commercial risks when dealing in global markets? **(10 marks)**

Good Luck!