UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS/ LUBAGA

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF MANAGEMENT SCIENCE

BPSCM I, (JAN INTAKE)

SEMESTER TWO 2021/2022

COURSE UNIT: INTERNATIONAL BUSINESS STRATEGY

CODE: IBM3204

DATE: 19TH JULY, 2022

TIME: 9:30 AM –12:30 PM

Instructions:

- QUESTION ONE-In section one is compulsory
- Attempt Only Two (2) Questions in Section Two
- Write properly
- Put your registration Number
- Do not **write** anything on the **question paper**

SECTION ONE COMPULSORY

QUESTION ONE.

A Case of ArcelorMittal Lakshmi Mittal and the Growth of Mittal Steel:

In 2007 a controversial merger between Mittal Steel and Arcelor closed, creating ArcelorMittal. The merger was the brain child of Mittal CEO, Lakshmi Mittal and his son, Aditya. Under Lakshmi's leadership, the family owned Mittal 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 Mittal was facing competition both from state-owned rival, Sail, and a private national champion, Tata Steel. So Lakshmi'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, Lakshmi 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 Lakshmi's success in Indonesia, in 1975 the Trinidadians asked him to turn their firm around under a contract. Mittal set up another company to run the Trinidad plant. In 1989, after a successful turnaround, Mittal 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 Lakshmi 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 Lakshmi 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 1195 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, Lakshmi 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 Mittal 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, Mittal 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, Mittal purchased International Steel, a company formed from the integration of troubled U.S. steel makers that had been in bankruptcy. By this time Lakshmi'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 Mittal, now the world's largest steel maker, to offer $32 billion in hostile takeover bid for Arcelor, a European firm formed from the merger of steel makers from Luxembourg, France, and Spain. The acquisition was bitterly contested, with the management of Arcelor and no small number of European politicians opposing the acquisition of a European company by an Indian enterprise (although ironically, Mittal Steel was now legally a Dutch company). Arcelor'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

1) What forces drove Mittal Steel to start expanding across national borders? (**10 points**)
2) Mittal Steel expanded into different nations through mergers and acquisitions, as opposed to greenfield investments. Why? (**10 points**)
3) What benefits does Mittal Steel bring to the countries that it enters? Are there any drawbacks to a nation when Mittal Steel invests there? (**10 points**)
4) What are the benefits to Mittal Steel from entering different nations? (**10 points**)
5) The acquisition of Arcelor was very acrimonious, with many politicians objecting to it. Why do you think they objected? Were their objections reasonable? (**10 points**)

SECTION TWO.

ATTEMPT **ONLY TWO** QUESTIONS FROM THIS SECTION

QUESTION TWO

i. Describe what challenges facing entrepreneurs in in a foreign country. **(12 mars)**

ii. Use relevant examples, explain strategies you would use to create your international business successfully? **(13 marks)**

QUESTION THREE

i. Describe briefly five methods of entry in foreign market? **(10 marks)**

ii. What are the advantages and disadvantages of, licensing, joint venture and export processing as market entry strategies? **(15 marks)**

QUESTION FOUR

i. What differences are there between the global strategy and international strategy? **(10 marks)**

ii. What are the advantages and disadvantages of being an early mover in a foreign market or international market? **(15 marks)**

QUESTION FIVE

1. What are major ethical issues facing international businesses? **(10 marks)**
2. Describe what strategies would you use to eliminate or control ethical issues in international business **(15 marks)**