CORPORATE STRATEGY

Module 1 Graded Quiz

1.Corporate strategy is concerned with determining the boundaries of the firm among geographic, vertical, and product/service dimensions, which is referred to as:

The scope of the firm

2.Advantages to organizing economic activity *within* the firm ("make") include all of the following **EXCEPT**:

Better adaptation to changing environmental conditions

3.The Boston Consulting Group (BCG) matrix is a tool that helps with:

Corporate portfolio planning and resource allocation

4.The economic problem whereby an exchange partner with private information about resource quality is more likely to offer lower quality resources in the exchange relationship is called:

Hold-up problem

Adverse selection problem

5.Which of the following is not a key source of transaction costs?

Weak incentives

6.When a firm uses few if any linkages or synergies among its many businesses, it is pursuing a/an:

Unrelated diversification strategy

7.A business within the BCG matrix that has low relative market share and high market growth potential is one which is referred to as a:

Question mark

1.All of the following are decisions that managers must make when formulating corporate strategy (specifically corporate scope) **EXCEPT**:

Whether the company should compete through differentiation or cost leadership

Where geographically the company should compete (i.e., global strategy decision)

2.When it would cost the firm *less* to pursue an activity in-house (as the sum of transaction, administrative and production costs) than obtaining that activity from a supplier in the external market, then the firm should:

Vertically integrate

Which of the following is not a key source of administrative costs?

Adverse selection

In a company, when a manager follows her/his own self-interest to the detriment of owners of the firm, then this situation is called a/an:

Principal-agent problem

6.Research indicates that when it comes to the diversification-performance relationship, the highest economic performance occurs with a/an:

Related diversification strategy

7.A business within the BCG matrix that has high relative market share and low market growth potential is one which is referred to as a:

Cash cow

Module 2 Peer Assignment

TO: Robert Chapek, CEO

FROM: K. Jeevitha, Student

DATE: October 08, 2020

SUBJECT: Disney Diversification & Acquisitions

Research shows that the main mission of your company is to entertain, inform and inspire people around the world through the power of unparalleled storytelling, reflecting the iconic brands, creative minds, and innovative technologies that make the company the world's best premier entertainment one.

I would like to discuss a recommended strategy for Disney in this crucial time when it is continually expanding and developing through merging its broad range of resources and established brandpower with the top storytellers and creatives in the industry today. Through the last decade and a half, Disney has begun a new strategy of acquiring new, smaller studios that have provided a new distinct advantage and product to the horizontal and vertical scopes of Disney. All of these acquisitions have been widely successful in its growth and expansion.

Rewards

After acquiring these smaller studios, it can continue to leverage its enormous network to distribute the new movies and open new streams of revenues in established franchises along with the development of new content. It can also gain valuable talent to continue to grow the works of the individual studios along with brand new content. It doesn't allow even the smaller studios to merge together in order to make themselves into a larger threat to Disney than if they continued to operate on their own.

Risks

Disney needs to be careful not to become too confident and avoiding the winner's curse, being that they start playing more for these studios they are acquiring than the value of the studios provide Disney as a result of this acquisition. It must make sure that it performs thorough evaluations of its potential targets and is confident in the business development plan as a result of each new acquisition. It should make a reasonable offer to Pixar and also avoid taking on too much debt. It also needs to make sure that the mergers are handled carefully in order to preserve the culture of the studio it acquires. Mergers filled with tension and conflict cause major damage to the potential value that the merger could have achieved if handled properly.

Conclusion

Disney should continue to acquire these small, successful studios. The vast resources available will also open doors for these smaller studios to really capitalize on their franchises and capabilities.

Module 2 Graded Quiz

1.In an "efficient financial market" the market price of a company's stock is such that any buyer of stock is expected to earn a/an:

Competitive (market) rate of return on investment

2.All of the following are attributes of effective acquisitions by a company **EXCEPT**:

Hostile takeover acquisitions

3.Which of the following is NOT a type of corporate transaction?

None of the above

4.As an intermediate alternative between being fully integrated ("make") and transacting in the market ("buy"), a firm can enter into an agreement that grants another the right to use the firm's brand name and business processes to sell goods and services. Such an agreement is typically classified as a/an:

Franchising agreement

5.When a parent company creates two new companies and its shares are distributed to the parent’s shareholders, it is called a/an

Spin off

6.Strategic alliances include all of the following, **EXCEPT**:

Acquisitions

7.All of the following are disadvantages of alliances, **EXCEPT**:

Poor integration can reduce synergies

1.Broadcom's attempt to buy U.S. tech-company Qualcomm is an example of a:

Hostile takeover

Friendly merger

Divestiture

None of the above

2.Acquirer companies can do well in an acquisition for all of the following reasons **EXCEPT**:

Winner's curse

4.As an intermediate alternative between being fully integrated ("make") and transacting in the market ("buy"), two firms can enter into an agreement whereby they create a third firm that they co-own and contribute resources to. Such an agreement is typically classified as a/an:

Joint venture

5.When a parent company sells part of its ownership in a unit for cash (through an IPO) but typically retains more than 50% ownership, it is called a/an

Carve out

2.Why do companies fail in M&A?

All of the above

3.Which of the following is NOT a type of divestiture?

Asset sales

6.A portfolio view of corporate transactions suggests the following types of effects:

All of the above

7.Companies form alliances for each of the following reasons, **EXCEPT**:

For greater coordination and control relative to M&As

Why do companies engage in M&A?

All the above

5.When a parent company separates a unit into a new company and shareholders can exchange their shares in the parent for that of the unit, it is called a/an

Split off

4.As an intermediate alternative between being fully integrated ("make") and transacting in the market ("buy"), a firm can enter into an agreement to cooperate with another firm while simultaneously choosing to buy or exchange each others' shares/stock. Such an agreement is typically classified as a/an:

Equity alliance

5.All of the following are reasons for acquisitions by a company **EXCEPT**:

Reduce the company's speed to market

Module 3 Graded Quiz

1.Globalization is a process of closer integration and exchange between:

Different countries and peoples worldwide

2.When companies expand internationally, they face many disadvantages and additional costs in foreign markets, which is broadly attributed to a concept called:

Liability of foreignness

3.When a firm chooses to build new plants and facilities from the “ground up” in foreign markets, it is called:

A greenfield strategy

4.According to the integration-responsiveness framework, if a firm, such as Caterpillar, is facing high pressures for local responsiveness and high pressures for cost reduction, it is likely to (or should) adopt:

A transnational strategy

5.In international business, multinational enterprises can reduce costs by all of the following, **EXCEPT**:

Responding to local customer preferences

6.The four aspects of Porter's Diamond Model of National Competitive Advantage include all of the following except:

Legal and political institutions

7.A "born global" firm is a **start up** company that is:

International in its operations

4.According to the integration-responsiveness framework, if a firm, such as Nestlé, is facing high pressures for local responsiveness but low pressures for cost reduction, it is likely to (or should) adopt:

A localization strategy

5.Local responsiveness refers to:

Tailoring products and services to fit local consumer preferences and host-country requirements

Which of the following is **NOT** a typical reason for why firms expand abroad:

a) Avoiding

1.Which one of the following has **NOT** contributed to the rapid development of globalization?

Increasing local tariffs

3.The mode of entering a foreign market that has the highest level of investment and control is:

Full integration

6.The purpose of Porter's Diamond model is to explain and predict:

When and why certain countries have a competitive advantage in specific industries

Module 4 Graded Quiz

1.Key characteristics of public firms include:

All of the above

2.Transferability of investor interests is best described by:

Investors are allowed to trade stocks.

.3.The following statement about stakeholders is correct:

Failure to consider stakeholders can damage the company's long run performance.

4.Stakeholder impact analysis considers:

All of the above

5.Professor Milton Friedman argued that:

The only social responsibility of business is to increase profits so long as it stays within the rules of the game.

6.The difficulty of the principal to ascertain whether the agent has really put forth his/her best effort is called:

A moral hazard problem

7.Corporate governance refers to:

All of the above

3.The role of the board of directors includes:

All of the above

5.The pyramid of corporate social responsibility includes:

All of the above

7.Institutions of capitalism that lessen the problem of the separation of ownership from control include:

All of the above

1.The organizations that form the backbone of the modern free market economy are:

Public stock companies

2.The separation of ownership and control is best described by:

Shareholders own stocks but managers run the company.

6.The difficulty of the agent misrepresenting his/her ability is called:

An adverse selection problem

4.A decision tool to enable managers to recognize, evaluate, and address the needs of different stakeholders is:

Stakeholder impact analysis