CENTRAL UNIVERSITY

END-OF-SEMESTER I SEPTEMBER 2018/2019 EXAMINATIONS

CENTRAL BUSINESS SCHOOL

DEPARTMENT OF MANAGEMENT AND PUBLIC ADMINISTRATION

INTERNATIONAL BUSINESS
CBMG 303 (3 Credits)

MORNING, EVENING & WEEKEND SCHOOLS

Duration: 3Hours

INSTRUCTIONS:
SECTION A: COMPULSORY
SECTION B: ANSWER ANY TWO QUESTIONS

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Lecturers:

Dr. Freeman, • Dr Korankye • Dr Adom

SECTION A: CASE STUDY - COMPULSORY

Disneyland in Europe

Between 1988 and1990 three $150 million amusement parks opened in France. By 1991 two of them were bankrupt and the third was doing poorly. Despite this, the Walt Disney Company went ahead with a plan to open Europe's first Disneyland in 1992. Far from being concerned about the theme park doing well, Disney executives were worried that Euro Disneyland would be too small to handle the giant crowds. The $4.4 billion project was to be located on 5,000 acres in Seine-et-Marne 20 miles East of Paris. And the city seemed to be an excellent location; there were 17 million people within a four-hour drive, and 109 million within six hours of the park. This included people from seven countries: France Switzerland, Germany, Luxembourg, the Netherlands, Belgium and Britain.

Disney officials were optimistic about the project. Their US parks, Disneyland and Disneyworld, were extremely successful, and Tokyo Disneyland was so popular that on some days it could not accommodate the large number of visitors. Simply put, the company was making a great deal of money from its parks. However, the Tokyo park was franchised to others-and Disney management felt that it had given up too much profit with this arrangement. This would not be the case at Euro Disneyland. The company's share of the venture was to be 49 per cent for which it would put up $160 million. Other investors put in $1.2 billion, the French government provided a low interest $ 900 million loan banks loaned the business $1.6 billion and the remaining $400 million was to come from special partnerships formed to buy properties and to lease them back. For its investment and management of the operation, the Walt Disney Company was to receive 10 per cent of Euro Disney's admission fees, 5 per cent of food and merchandise revenues, and 49 per cent of all profits.

The location of the amusement park was thoroughly researched. The number of people who could be attracted to various locations throughout Europe and the amount of money they were likely to spend during a visit to the park were carefully calculated. In the end, France and Spain had proved to offer the best locations. Both countries were well aware of the park's capability for creating jobs and stimulating their economy. As a result, each actively wooed the company. In addition to offering a central location in the heart of Europe, France was prepared to provide considerable financial incentives. Among other things the France government promised to build a train line to connect the amusement park to the European train system. Thus after carefully comparing the advantage offered by both countries, France was chosen as the site for the park.

At first, things appeared to be off to a roaring start. Unfortunately, by the time the park was ready to open. A number of problems had developed, and some of these had a very dampening effect on early operations. One was the concern of some France people that Euro Disney was nothing more that a transplanting of Disneyland into Europe.

In their view the park did not fit into the local culture, and some of the French press accused Disney of: cultural imperialism: others objected to the fact that the French government, as promised in the contract had expropriated the necessary land and sold it without profit to the Euro Disneyland development people signs reading Don t gnaw away our national wealth and Disney go home began appearing along roadways. These negative feelings may well have accounted for the fact that on opening day only 50,000 visitors showed up in contrast to the 500,000 that were expected Soon thereafter operations at the park came under criticism from both visitors and employees. Many visitors were upset about the high prices.... In the case of British tourists for example, because of the Franc exchange rate it was cheaper for them to go to Florida than to Euro Disney in the case of employees many of them objected to the pay rates and the working conditions. They also raised concerns about a variety of company policies ranging from personal grooming to having to a speak English in meetings even if most people in attendance spoke French within the first month 3,000 employees quit. Some of the other operating problems were a result of Disney's previous experiences. In the United States, for example, liquor was not sold outside of the hotels or specific areas. The general park was kept alcohol free, including the restaurants, in order to maintain a family atmosphere. In japan, this policy was accepted and worked very well however, Europeans were used to having outings with alcoholic beverages. As a result of these types of problems, Euro Disney soon ran into financial problems.

In 1994, after three years of heavy losses, the operation was in such bad shape that some people were predicting that the park would close. However, a variety of developments saved the operation for one thing, a major investor purchased 24.6 per cent (reducing Disney's share to 39 per cent) of the company injecting $500 million of much needed cash. Additionally, Disney waived its royalty fees and worked out a new loan repayment plan with the banks, and new shares were issued. These measures allowed Euro Disney to buy time while it restructured its marketing and general policies to fit the European market. In October 1994, Euro Disney officially changed its name to Disneyland Paris. This made the park more French and permitted it to capitalize on the romanticism that the word Paris conveys. Most importantly, the new name allowed for a new beginning, disassociating the park from the failure of Euro Disney. This was accompanied with measures designed to remedy past failures the park changed its most offensive labour rules, reduced prices, and began alcohol beverages were now allowed to be served just about anywhere.

The company also began making the park more appealing to Local visitors by giving it a "European" focus. Ninety two per cent of the park's visitors are from eight nearby European countries. Disney Tomorrowland, with its dated images of the space age was jettisoned entirely and replaced by a gleaming brass and wood complex called Discoveryland, which was based on themes of Jules Verne and Leonardo DA Vinci.

In Disneyland, food services were designed to reflect the fable's country of origin Pinocchio's facility served German food, Cinderella's had French offerings, and at Bella Notte's the cuisine was Italian. The company also shot a 360-degree movie about French culture and showed it in the "Visionarium" exhibit.

These changes were designed to draw more visitors and they seemed to have worked. Disneyland Paris reported a slight profit in 1996, and the park continued to make a modest profit through to the early 2000s. In 2002 and 2003 the company was once again making losses, and new deals had to be worked out with creditors. This time however it wasn't insensitivity to local customs but a slump in the travel and tourism industry, strikes and stoppages in France and an economic downturn in many of the surrounding markets.

Questions:

1. What are some of the characteristics of Multinational enterprises that are displayed by the Walt Disney Company? (4 marks)
2. Why did Disney take an ownership position in the firm rather than simply licensing some other firm to build and operate the park and settling for a royalty on all sales? (4 marks)
3. In what way did Euro Disney reflect the strategic philosophy of Walt Disney as a multinational enterprise? (4 marks)
4. Did Disney management conduct an external environmental analysis before going forward with Euro Disney? Explain (4 marks)
5. When all hope was lost, how did Disney manage to bounce back? (4 marks)

SECTION B - ESSAY

ANSWER ANY TWO QUESTIONS FROM THIS SECTION

QUESTION 2

a. How have changes in technology contributed to the globalisation of markets and production? (6 marks)

b. Distinguish among Free market economy, Command economy, and Mixed economy regarding the following:

i. Ownership of resources | ii. Allocation of resources

iii. Determination of prices of goods and services | iv. Distribution of goods and services (14 marks)

QUESTION 3

What are the economic and political arguments for regional economic integration? Given these arguments, why don't we see more integration in the world economy? (20 marks)

QUESTION 4

a. How does a firm's staffing policy affect its international human resource management? (10 marks)

b. Discuss any four ways a company's human resource department can minimise expatriate failures. (10 marks)

QUESTION 5

a. What is international business? How different is it from Globalisation? (4 marks)

b. Advance any four (4) arguments in favour and four (4) arguments against multi-national companies. (16 marks)

QUESTION 6

a. There are certain important decisions to take or issues/questions to address before a businessman/woman enters the international markets. Discuss ANY THREE (3) of them. (6 marks)

b. Write short notes on the following, giving examples where necessary:

i. Turnkey projects | iii. Management Contract

ii. Licensing | iv. Franchising (14 marks)

QUESTION 7

With practical examples and illustrations. Discuss the **benefits** and **costs** of Foreign Direct Investment (FDI) inflows to your country. (20 marks)