

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

BUS303
International Business Project

Semester 2, 2010

Business Department

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE**

Year and Semester: Semester 2, 2010
Unit convenor: Assoc. Professor Stephen Chen
Prerequisites: BUS301

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

- Unit description and credit points

This unit integrates the materials that are covered in [BUS201](#) Introduction to International Business, [BUS202](#) International Business Operations and [BUS301](#) Business Policy and requires students to complete a major research project in International Business under the supervision of a faculty member. By the end of the unit students will gain a much better understanding of how to research and analyse an international business and industry as well as how the various concepts covered in previous units fit together. This unit is worth 3 Credit points.

- Unit rationale

By working on a group project on a real industry and companies, students will learn to apply what they have learned in previous courses as well as a range of tools and frameworks for conducting international business strategic analysis.

TEACHING STAFF

- Convenor: Assoc. Professor Stephen Chen

Contact details: Room 639, Building E4A, tel. 9850 8459, email stephen.chen@mq.edu.au

- Tutors: Ron Innis (email ron.innis45@gmail.com), Keson Loke (email keson.loke@mq.edu.au), Felix Ward (felix.ward@gmail.com)

CONSULTATION TIMES

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours. Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

Consultation times for Stephen Chen: 10-12pm on Mondays and Fridays, other times by appointment.

Consultation times for tutors: Before or following each class or by appointment.

CLASSES

- Number and length of classes: 12 x 3 hour group activity
- The timetable for classes can be found on the University web site at:
<http://www.timetables.mq.edu.au/>
- Please note that owing to the integral nature of the group work and limited capacity of the rooms it is not possible to switch between classes
- Students are required to attend all sessions unless excused. Attendance will be recorded and an attendance record of less than 80% may result in a deduction of marks for the course.

PRIZES

- A prize will be awarded for the student with the best final mark for the unit:
http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships

REQUIRED TEXT

- Fleisher, C. and Bensoussan, B. (2010), Business and Competitive Analysis: Effective Application of New and Classic Methods, Financial Times Prentice Hall Publishing, ISBN: 9780132161589

TECHNOLOGY USED AND REQUIRED

- The course will require students to access databases in the Library and on the Internet
- Internet access will be available via a wireless network in the classroom

- Each group will need to bring at least one laptop with wireless connection
- All students will also be required to use Excel in the course. Any students who are not familiar with Excel should inform the course convenor.

UNIT WEB PAGE

- The web page for this unit can be found at learn.mq.edu.au

LEARNING OBJECTIVES AND OUTCOMES

- The learning objectives of this unit are to introduce students to the tools and techniques used to analyse the international business strategy of a business.
- The learning outcomes of this unit are that students will gain a greater awareness of the key strategic issues that face international businesses, be able to identify them in specific cases, apply relevant tools and techniques to analyse the problem, draw appropriate conclusions and, if required, make suggestions for improvement.
- In addition, students will develop generic skills in critical analysis, problem-solving, creative thinking, communication and interpersonal relations.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

Critical, Analytical and Integrative Thinking
Problem Solving and Research Capability
Creative and Innovative
Effective Communication
Capable of Professional and Personal Judgement and Initiative
Commitment to Continuous Learning

TEACHING AND LEARNING STRATEGY

- The main teaching strategy will be through carrying out practical assignments in which students will work in a small group of 4-5 members to conduct a strategic analysis of a global business. This is a practical exercise, the aim of which is to show students what it is like to conduct a strategic analysis for a real global industry and company.
- Students are required to participate fully in all group work.
- There are no formal lectures but short presentations will be given as required to clarify the methods to be used in the assignment.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Students will work in groups consisting of 4-5 members on a group project. Groups will be assigned in week 1. Students will be asked to take on the role of a consultancy team which has been asked to prepare a report on: (1) the industry and (2) selected companies in the industry. An electronic copy of the report should be uploaded on Turnitin and a hardcopy provided to the course convenor by the due date. The unit will be assessed as follows:

	Assessment Task 1	Assessment Task 2	Assessment Task 3	Assessment Task 4
Title/Name	Group proposal and plan	Mid-term report and presentation	Final report and presentation	Peer assessment
Description	500-750 words	4,000-5,000 words	8,000-10,000 words	
Due date	Week beginning 16/8/2010	Week beginning 30/8/2010	Week beginning 8/11/2010	Week beginning 15/11/2010
% Weighting	10%	30% (25% written report, 5% presentation)	50% (40% written report, 10% presentation)	10%
Grading method -	Refer to appendix 1 and 5	Refer to appendix 2 and 5	Refer to appendix 3 and 5	Refer to appendix 6
Submission method	Report to be submitted	Report to be submitted via Turnitin by midnight prior	Report to be submitted via Turnitin by midnight prior	Ratings to be submitted online via link on Blackboard

	Assessment Task 1	Assessment Task 2	Assessment Task 3	Assessment Task 4
		to class	to class	
Feedback	Written feedback to be provided the following week	Written feedback to be provided the following week		
Estimated student workload (hours)	1 hour outside class in addition to work in class	3 hours outside class in addition to work in class	4 hours outside class in addition to work in class	15 minutes
Learning outcomes assessed				
<i>Collecting information and data</i>	X	X	X	X
<i>Evaluation of data and information validity and reliability</i>	X	X	X	X
<i>Analysis of data</i>	X	X	X	X
<i>Relating data to management theory</i>		X	X	X
<i>Drawing appropriate conclusions</i>		X	X	X
<i>Proposing practical solutions</i>			X	X
Graduate capabilities assessed				
<i>Critical, Analytical and Integrative Thinking</i>	X	X	X	X
<i>Problem Solving and Research Capability</i>	X	X	X	X
<i>Creative and Innovative</i>	X	X	X	X
<i>Effective Communication</i>	X	X	X	X
<i>Capable of Professional and Personal Judgement and Initiative</i>	X	X	X	X

ASSESSMENT CRITERIA

Reports and presentations will be assessed as if they are submissions to a client in real life. Students will be assessed on their understanding of the international business policy issues; care, originality and initiative in the collection, analysis and interpretation of data; and strength of the arguments supporting the conclusions and recommendations (appendix 5). While advice will be available, students are expected to show a high degree of initiative and independent thinking in the project. **This is not a teacher-led class exercise in which there is a right or wrong answer to every question and neatly prepared data on every issue, just as is the case in real life business policy analysis. The purpose is to learn how to deal with such ambiguous business issues and practical problems such as locating relevant information and interpreting conflicting or missing data.**

Each group must provide a statement of the contribution of each group member to each part of the assignment. This will be used to calculate individual marks for the course. In addition, each student will be individually assessed by other members of the group. Peer assessment criteria are shown in appendix 6.

ATTENDANCE POLICY

- **Students are expected to attend all sessions unless excused.** Attendance will be recorded and an attendance record of less than 80% may result in a deduction of marks for the course.
- **It is expected that all group members will contribute equally to group assignments and presentations.** Marks may be deducted for failure to participate fully in group work.

REFERENCING

- Where outside sources of information have been used, full references should be provided in the assignment, including date, volume, page numbers of any journal articles, books or book chapters and URLs of any websites e.g.
 - Book:

- Chen, S. (2004), *Strategic Management of E-Business 2e*, John Wiley & Sons: Chichester, UK
- Journal article:
 - Chen, S., Geluykens, R. and Choi, C.J. (2006), 'The importance of language in global teams: a linguistic perspective', *Management International Review*, 46 (6), 1-17.
- Book chapter:
 - Chen, S. (2007), 'Testing the Internationalization-Performance Relationship in Asian Service Firms', In *Research on Global Strategic Management: Regional Aspects of Multinationality and Performance*, Rugman, A. (ed.), Amsterdam: Elsevier, pp. 337-358.
- Conference proceedings:
 - Chen, S. (2007), 'The Benefits (or Not) of Clusters: Evidence from the United Kingdom', *Frontiers of Entrepreneurship Research 2007, Babson College*
- Online articles:
 - Chen, S. and Bouvain, P. (2008). 'Is Corporate Responsibility Converging? A Comparison of Corporate Responsibility Reporting in the USA, UK, Australia, and Germany', downloaded from *Journal of Business Ethics* website at <http://www.springerlink.com>

LATE SUBMISSION POLICIES

- Late assignments will only be marked where an extension has been granted. A penalty of 20% of the assignment mark will deducted for each day that the assignment is late, unless there are extraordinary circumstances such as documented illness or other unavoidable disruptions. In such event an 'Advice of Absence or Other Circumstances' form should be completed and submitted as soon as is practicable. The form may be obtained from the BESS office or downloaded from the Admin Central website: http://www.businessandeconomics.mq.edu.au/current/undergraduate/admin_central/absences. (Please note that work or family commitments will not normally be acceptable excuses. The circumstances must be extraordinary and something that could not have been reasonably predicted or avoided. Conditions are explained on the Admin Central website.)

- Work that is submitted late without prior written permission and without a completed advice of absence form will not be marked. Students are advised to keep a copy of all permissions given in event of dispute.
- The date and time recorded by Turnitin shall be used for the purposes of determining late submission penalties. As there are sometimes delays with the system you are advised to submit early to avoid penalties.

EXAMINATIONS

There is no final examination for this unit.

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

UNIVERSITY POLICY ON GRADE DISTRIBUTION

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG). On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past

performances of their students should achieve similar results. It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit. The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark. For an explanation of the policy see:

<http://senate.mq.edu.au/rules/Guidelines2003.doc> or
<http://senate.mq.edu.au/rules/detailedguidelines.doc>.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandeconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

[Individual Unit Convenors may wish to add Unit/ Faculty specific support eg BESS, Room, PAL, E4B Consultation Room.]

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

Appendix 1. Course Timetable†

Week	Date	Topic and reading
1	2/8/2010	Industry analysis, chapter 6
2	9/8/2010	Driving forces, chapter 20
3	16/8/2010	GROUP REPORT AND PLAN DUE Competitive positioning, chapter 7
4	23/8/2010	Historiographical analysis, chapter 25; Events and timeline analysis, chapter 21
5	30/8/2010	INTERIM REPORT AND PRESENTATION DUE
6	6/9/2010	Critical success factors, chapter 18
7	13/9/2010	Business models, chapter 8
8	20/9/2010	BREAK
9	27/9/2010	BREAK
10	4/10/2010	PUBLIC HOLIDAY
11	11/10/2010	Diversification and Country risk analysis, chapter 19
12	18/10/2010	Cash flow analysis, chapter 26
13	25/10/2010	Statistical analysis, chapter 27
14	1/11/2010	Hypothesis testing, chapter 28
15	8/11/2010	FINAL REPORT AND PRESENTATION DUE

† Dates and order of topics subject to change

APPENDIX 2. BUS303 Group Proposal and Plan

INSTRUCTIONS:

Your team has been employed to advise a company that is considering entering the global market for your chosen industry. They have asked you to prepare a report on the industry (appendix 3) and an analysis of key firms in the industry (appendix 4). Prepare a brief proposal (500-750 words) and plan showing

- *data to be collected and sources to be consulted*
- *tasks to be done*
- *who will carry out the tasks*
- *when the task will be done*

APPENDIX 3. BUS303 Assignment 1

INSTRUCTIONS:

Your team has been employed to advise a company that is considering entering the global market for your chosen industry. They have asked you to provide certain data on the industry and key competitors and identify possible future changes in the industry. Prepare a written report (Word limit: 5,000 words, excluding appendices) and a 10 minute presentation to the client on the following. Links to the databases are listed on the course website in Blackboard.

Please explain any calculations and assumptions made as an appendix in your report and submit an electronic copy of the calculations as an Excel spreadsheet to allow figures to be checked. Please also attach a statement of contributions by each group member to the report outlining who was responsible for answering each of the questions below and for carrying out which activities.

1. Calculate the world industry size and growth as measured by total world production for your industry over the period 2000-9. (For data on industry production and trade you can use the following data base: *UN Industrial Commodity Statistics Database*. See Note 3) (10 marks)

2. Determine Changes in globalization as measured by

- World trade volume and
- Intra-industry trade (see note 1 below)

For data on industry production and trade you can use the following data base: *UN Comtrade Database*. See Note 3. (10 marks)

3. World Industry Trade Barriers as measured by the MFN (Most Favoured Nation) applied tariff rates for the industry. What are the average, maximum and minimum worldwide tariff rates? Where there is more than one product category, show figures for each category as well as the average of product groups. Are there significant differences between product categories and countries? For data on Industry Tariff rates you can use the *WTO Tariff Download Facility*. See Note 3. (10 marks)

4. What have been significant political, economic, social, technological, legal or environmental events that have affected the historical development of your industry? What are significant political, economic, social, technological, legal or environmental events that have affected your industry over the period 2000-9? (See chapters 21 and 25 of text.) [You can obtain information on the the industry using *FACTIVA* (a searchable database of

newspaper and journal articles available from the library website), MERGENT and other library databases.] (20 marks)

5. Determine the following for your industry over the period 2000-9

- Industry concentration ratios for the top 5 global firms (by sales) and
- Herfindahl index for the top 5 global firms (see note 2 below)

How has the industry concentration changed over the period? What does that tell you?

[Data on key competitors in some industries are available in the *Global Market Information Database* (available from the library website). For others, use your own initiative.] (15 marks)

6. Determine the following for your industry over the period 2000-9

- Industry concentration ratios for the top 5 global markets (by sales) and
- Herfindahl index for the top 5 global markets (see note 2 below)

How has the geographic concentration changed over the period? What does that tell you?

Referring to the data you have collected, discuss how the structure of the industry and competition has changed over the period 2000-9. (See *Chapter 6 of text*) (15 marks)

8. What are the key driving forces in this industry and how you think conditions may change in the future? (See *Chapter 20 of text*) (20 marks)

Note 1. Measuring Industry Globalization

There are many ways to measure the globalization of an industry but two measures that can be used are the World Industry Trade Volume and the Intra-industry Trade index (Wiersema et al, 2008).

1. World Industry Trade Volume = World Industry Imports/ World Industry Sales*

* Use World Industry Production figures where you cannot calculate World Industry Sales

2. Intra-industry Trade index = $[(E_i + I_i) - \text{Absolute Value } (E_i - I_i)] / (E_i + I_i)$
where E_i = Exports and I_i = Imports for country i .

Note 2. Measuring Industry Concentration

In order to judge the relative amount of concentration in any industry, economists commonly use two measures: the concentration ratio and the Herfindahl (or Herfindahl–Hirschman) Index.

Concentration ratio

The concentration ratio is expressed by the term CR_k , which stands for the percentage of the market sector controlled by the biggest k firms. For example, $CR_5 = 70$ per cent would indicate that the top five firms control 70 per cent of a market. The problem with this measure is that CR_5 does not indicate what the relative size of the five largest companies is. It may be that CR_5 means that one company controls 50 per cent of the market, while the others each have 5 per cent. Usually, k firms concentration ratios look at the top five, top 10 and more, if useful.

Herfindahl (or Herfindahl-Hirschman) Index

The H index is a far more precise tool for measuring concentration. It is obtained by squaring the market-share of each of the players, and then adding up those squares:

$$H = \sum_{i=1}^n (\Pi_i)^2$$

where Π is the market share of every firm in the market, and n is the number of firms.

The H Index has a value smaller than one, except in the case of a monopoly. It gives added weight to the biggest companies. The higher the index, the more concentration and (within limits) the less open market competition. A small index indicates a competitive industry with no dominant players. In order to get a feel for the meaning of the index, it is often useful to look at the inverse of the index. If all firms have an equal share, the reciprocal of the index shows the number of firms in the industry. When firms have unequal shares, the reciprocal of the index indicates the “equivalent” number of firms in the industry.

Source: The Universe of the Largest Transnational Corporations, UNCTAD, 2007.

Note 3. Missing data

Please note that data may be missing for some countries or years. In that case, you should first see if you can get the missing from other sources. It is generally a good idea to cross-check data with other sources anyway, if this is possible. If that fails, you can try to estimate the missing data based on what data you have, if this is feasible. If all else fails, leave out the missing data and note this in the report.

APPENDIX 4. BUS303 Assignment 2

INSTRUCTIONS:

Following your interim report, the client has asked for additional information and analysis of selected competitors in the industry to assess whether or not an internationalisation strategy will yield benefits in this industry. Prepare a written report (Maximum words: 10,000 words, excluding appendices) and a 15 minute presentation on the following.

Please explain any calculations and assumptions made as an appendix in your report and submit an electronic copy of the calculations as an Excel spreadsheet to allow figures to be checked. Please also attach a statement of contributions by each group member to the report outlining who was responsible for answering each of the questions below and for carrying out which activities.

Select 5 firms in the industry that appear to be following different strategies. For all five firms, prepare a report that answers questions 1-4 and then considering all five firms, answer question 5 below.

1. Organisational and resource analysis (20 marks)

- Key events and timeline of the company history (see Chapter 21 of text)
- Business model of the company (see Chapter 8 of text)
- Competitive positioning (see Chapter 7 of text)

2. Change in Products (20 marks)

(a) Product markets entered and means of entry over the period 2000-2009

(b) Calculate the percentage share of the companies' total sales by industry segment over the period 2000-2009 (**To determine the segments, use 4-digit NAICS2007 industry codes, available on the following website: <http://www.census.gov/epcd/naics07/>**) (4 marks)

(c) Calculate the following measures of product diversification (details shown in note 2)

- i. Herfindahl Index of product diversification
- ii. Entropy measure of product diversification

Show all calculations and the data on which they are based in a spreadsheet. How has the product diversity of the companies changed over the period 2000-2009?

3. Changes in Country Diversification (20 marks)

(a) Foreign markets entered and means of entry over the period 2000-2009

(b) Calculate the following data for your companies over the period 2000-2009:

- (i) Foreign/total assets figures
- (ii) Foreign/total sales figures
- (iii) Foreign/total no. of employees
- (iv) Foreign/total no. of affiliates

Show all calculations and the data on which they are based in a spreadsheet. How has the transnationality of the companies changed over the period 2000-2009?

(c) Calculate the following data for each region in which your companies over the period 2000-2009:

- (ii) Region assets/total assets figures
- (ii) Region sales/total sales figures
- (v) Region employees/total no. of employees
- (vi) Regional no. of affiliates/total no. of affiliates

Show all calculations and the data on which they are based in a spreadsheet. How has the transnationality of the companies changed over the period 2000-2009?

(d) Assess the following for the top 10 countries (by revenues) in which each company operates:

- Trade profile (Imports, Exports, Trade/GDP ratio)
- Economic development (GNI per capita, %R&D/GDP, %ICT expenditure/GDP, telephone subscribers per capita, available from World Bank)
- Social development (Human Development Index available from UN Data)
- Homicide rate (available from UN Data)
- Environmental development (CO2 emissions, forest area)(available from UN Data)
- Standard of Governance (available from World Bank Governance Indicators)
- Political risk (available from ONDD)
- Risk of armed conflict (available from ONDD)
- Exchange risk (available from ONDD)
- Transfer risk (available from ONDD)
- Sovereign risk (available from S&P)

What does the country development/risk profile for your company look like?
(See Chapter 19 of text)

Links to Recommended data sources:

- UN Data <http://data.un.org>
- World Bank World Development Indicators: <http://data.worldbank.org>
- World Bank Governance Indicators
<http://info.worldbank.org/governance/wqi/index.asp>
- World Trade Organisation Statistics
http://www.wto.org/english/res_e/statis_e/statis_e.htm
- ONDD:
<http://www.ondd.be/webondd/website.nsf/weben/Country+risks?OpenDocument> for country risk
- S&P Sovereign Risk:<http://www.standardandpoors.com/ratings/sovereigns/ratings-list/en/us/?sectorName=Governments&subSectorCode=39&subSectorName=Sovereigns> for sovereign risk

4. Financial performance (20 marks)

(a) Calculate the following for your companies over 2000-2009:

- (i) Total sales/R&D
- (ii) Total sales/Capital expenditure
- (iii) Total sales/Total assets
- (iv) Total sales/No. of employees

- (vii) Return on Assets (ROA) (See note 3 for calculation)
- (viii) Return on Sales (ROS)(See note 3 for calculation)
- (ix) Tobin's Q (see note 4 for calculation)
- (x) Free cash flow/Operating Cash flow
- (xi) Operating cash flow/Sales (See Chapter 27 of text)

[Company financial data can be obtained from the Datastream, Mergent and Aspect databases as well as company annual reports.]

- (b) How does the company compare relative to the industry average? In which percentile does it fall? (See Chapter 26 of text)

(5) Based on your analysis, answer the following questions (20 marks)

- (a) What are the critical success factors in this industry? (See Chapter 18 of text)
- (b) What are the firm-specific, home-country-specific and host-country-specific resources for each company?
- (c) What do you conclude about the success (or not) of each company's strategies?
- (d) Do your results support the hypothesis that internationalisation leads to improved financial performance in this industry? (See Chapter 28 of text)

Note 1. Data Sources

Possible data sources that you may wish to consult

- company annual reports (available from the company website)
- databases (available from the Library website)
 - o Business Source Premier (includes Country Economic reports and Datamonitor company profiles)
 - o Business Monitor (provides company profile, share prices, subsidiaries and news such as announcements of mergers, acquisitions and joint ventures)
 - o FACTIVA (searchable database of newspaper and journal articles)
 - o Global Market Information Database (provides market research reports for selected industries)
 - o Aspect for company information and financial data on ASX listed companies
 - o Mergent for company information, annual reports and financial data on publicly listed companies worldwide (except USA)
 - o
- Datastream for detailed financial data on publicly listed companies worldwide, including product and geographic segment information (accessible from dedicated PC in library)
- Internet sites:
 - o Securities and Exchange Commission for US publicly listed companies
 - o UN Data
 - o World Bank
 - o World Trade Organisation
- Printed publications on the company or industry such as books, business magazines, etc

Note 2. Calculation of Product Diversification Indices

Herfindahl Index

Product diversification can be measured using a Herfindahl index, like that for industry concentration, which takes into account both the number of segments that the firm operates and relative importance of each segment.

This index of diversity (H) is calculated as follows:

$$H = 1 - \frac{1}{N} \sum_{i=1}^N (S_i)^2$$

where S_i is the share of a firm's total sales in industry segment i and N is the number of segments in which the firm operates.

Entropy measure

An alternative measure is the entropy measure (Palepu, 1985):

Consider a firm operating in N industry segments. The entropy measure of diversification (E) is defined as follows, where P_i is the share of the i th segment in the total sales of the firm:

$$E = - \sum_{i=1}^N P_i \ln (1/P_i)$$

N.B. For your report use 4-digit NAICS2007 industry segments to calculate both the Herfindahl and Entropy measures. You can search for NAICS2007 codes on the following website:

<http://www.census.gov/epcd/naics07/>

References

Palepu, K. (1985), Diversification Strategy, Profit Performance and the Entropy Measure, *Strategic Management Journal*, 6, 239-255

Note 3. Calculation of ROA and ROS

There are a number ways to calculate ROA and ROS but in the interests of consistency and to facilitate comparison across companies, please use the Operating Income or Earnings Before Interest and Tax figure:

- ROA = Operating Income/Total Assets

- ROS = Operating Income/Total Sales

Note 4. Calculation of Tobin's q

Tobin's q is a ratio comparing the value of a company given by financial markets with the accounting value of a company's assets. It is calculated by dividing the market value of a company's equity and debt by the replacement value of its assets. There have many ways suggested for calculating the ratio but an approximation developed by Chung and Pruitt (1994) is

$$\text{Tobin's } q = (\text{MVE} + \text{PS} + \text{DEBT})/\text{TA}$$

where MVE is the market value of equity calculated as the share (stock) price at year-end multiplied by the number of shares, PS is the book value of preferred shares (stock), DEBT is the book value of debt (calculated as long-term debt plus current liabilities less current assets), TA is the book value of total assets.

Reference

Chung, K.H. and Pruitt, S.W. (1994), A Simple Approximation of Tobin's q, *Financial Management*, 23 (3), 70-74

APPENDIX 5. ASSIGNMENT EVALUATION CRITERIA

These criteria are a general guide as to the standard expected at the various levels. It will not necessarily be the case that all these criteria will be met at a particular standard, as there may be a superior performance on one of the criteria and not so satisfactory performance on another.

High Distinction Standard (85-100%)

- The answer is very well written and clearly expressed.
- There is a demonstrated appreciation and understanding of the issues involved.
- The answer is well structured and logically organised.
- There is evidence of a comprehensive analysis of the issues.
- Conclusions are backed by well-reasoned arguments demonstrating a detailed insight and analysis of issues.
- Comprehensive coverage of all relevant issues.
- References are made to the appropriate theories and frameworks for particular issues.
- Issues are analysed and interpreted correctly.
- Theories and frameworks are applied to the particular fact situation in a competent manner.
- There may be consideration of issues not raised in the course

Distinction Standard (75-84%)

- The answer is very well written and expressed.
- The answer is structured and logical.
- The issues have been reasonably well identified and appreciated.
- There is correct use of referencing.
- Issues have been analysed.
- Reference is made to all appropriate theories and frameworks, although the analysis and interpretation is not as detailed and reasoned as for the high distinction standard.
- There is a comprehensive coverage of the issues.
- Occasional errors of reasoning may still be present.

Credit Standard (65-74%)

- The answer is generally well written and expressed.

- The answer is structured and sequential.
- Issues are identified and addressed.
- There has been an attempt to analyse some of the issues.
- The coverage of issues is reasonably comprehensive often with a good treatment and analysis of particular points.
- Errors of theoretical application and incorrect reasoning may sometimes be present.
- Depth of treatment is often lacking in some of the issues.

Pass Standard (50-64%)

- The answer is able to be followed and understood.
- The answer could perhaps be better organised and structured.
- Issues may need to be identified and addressed in more depth.
- Analysis when present may be incorrect.
- Some familiarity with relevant theories and its application is demonstrated.
- Sometimes the conclusions reached are simple.
- There may be several errors of theoretical application or data interpretation
- There may be significant quantities of material of marginal relevance included in the answer.

Pass Conceded (45-49%)

- The answer fails in several of the criteria required for a clear Pass but shows some aspects that merit a mark higher than a Fail grade such as
 - Limited discussion of relevant issues
 - Some attempt to make use of available data
 - Some attempt to apply theories and concepts from the course

Fail Standard (< 45%)

- The answer may be significantly short of the required length.
- The written expression is poor and difficult to understand.
- The answer is poorly organised.
- There has been a failure to identify and address the issues in the question.
- There is a lack of familiarity with relevant theories and their appropriate application.
- The reasoning and application demonstrated is poor.
- Frequently there is much irrelevant material.

APPENDI X 6. PEER EVALUATION OF PERFORMANCE IN GROUP WORK

1. Attendance at team meetings (6 points)

- Habitually absent
- Missed close to 50% of our meetings
- Missed about 20-30% of our meetings
- Missed about 10-20% of our meetings
- Very dependable; missed only one or two meetings
- Always present

2. Promptness (6 points)

- Habitually late
- Late to about 50% of our meetings
- Late to about 20-30% of our meeting
- Late to about 10-20% of our meeting
- Late to only one or two meetings
- Never kept team members waiting

3. Calibre of preparation for meetings (6 points)

- Always behind rest of the team
- Marginal; usually had to catch up during meeting
- Adequate; about as well prepared as others
- Good; somewhat better prepared than others
- Excellent; usually well prepared
- Exceptional; generally best prepared of all team members

4. Understanding of industry and companies; skills in interpreting and analyzing the data (12 points)

- Quite weak
- Marginal; sub-par
- Adequate
- Good
- Excellent; very impressive
- Exceptional; strongest of all team members

5. Skills in diagnosing problems and issues (12 points)

- Quite weak
- Marginal; sub-par
- Adequate
- Good
- Excellent; very impressive
- Exceptional; strongest of all team members

8. Enthusiasm and commitment (6 points)

- Almost none
- Inadequate
- Adequate; acceptable
- Good enthusiasm and commitment
- Very enthusiastic and committed
- Exceptional; strongest of all team members

9. Teamwork and cooperativeness (6 points)

- Quite weak; gave team many problems
- Marginal; prone to make decisions without telling anyone
- Adequate
- Good
- Excellent; very impressive
- Exceptional; strongest of all team members

10. Exercise of leadership within the group (6 points)

- Had little to say and little to offer
- Ineffective; had a hard time winning support for ideas
- Adequate ability to present views and make a case for proposed actions
- Good ability to present views and make a case for proposed actions
- Effective and persuasive in convincing others to go along with proposed actions
- Exceptional; the clear leader on our team

11. Carried a fair share of the overall workload (6 points)

- Far less than a fair share
- Slightly below a fair share
- Roughly a fair share
- Slightly above a fair share

- Well above a fair share
- Far beyond what any other team member did

12. Overall Evaluation (10 points)

- Below 50 I would like to have fired this person
- 50-59 Very weak (I would definitely not want to be teamed with this person again)
- 60-64 Marginal; sub-par
- 65-69 Slightly below-average
- 70-74 Average
- 75-79 Slightly above-average
- 80-84 Good
- 85-89 Very good
- 90-95 Excellent; very impressive
- 96-100 Exceptional; strongest of all team members