# Exam: Strategic Management June 2017

Elaborated case on Telenet and the Flemish telecommunication industry (Belgacom/ Proximus, Orange, Base). Almost the entire exam was based on this case.

1. **Multiple choice questions** (5 points)
   **a)** Sequential network, give the outcome if players take rational decisions (identical as an example in the lesson about XM and Sirius).
   **Solve the last "branch" and then go to starting point.**
   **b)** A company with more capital reallocation can generally give a better return to shareholders. **Incorrect**
   **c)** Is the takeover of Base a strategic decision? **Correct**
   **d)** When a company focuses on economies of scale, standardization and experience, this company needs to focus on countries with a small economic distance. **Correct**
   **e)** Watching a movie after buying a ticket in Kinepolis is an example of Sunk Cost Fallacy. **Correct**
   **f)** Liberty Global is a best owner of Telenet. Liberty Global is continuous and stand-alone.
   ***Stand-alone yes: only active in the telecommunication industry/business, but global so only one sector/industry; Continuous: yes, owner delivers best practices to the companies of which he owns. It's not like a PE fund that buys once everything changes and after that resell with profit)***
   **g)** Confirmation bias exists because we are afraid of losses. **Incorrect**
   **h)** In a company with a low cost structure, the company creates more value and consumer surplus is lower too. **Incorrect**

2. (5 points)
   Does Telenet create value? How? What is the definition of value creation? Which company has a competitive advantage? What are the drivers of value creation on industry level?
   **Explain WTP, cost (leadership); the difference in between -> more value is created.**

   Which company has created most value in on industry level?
   **Telenet, explain 6 steps (scope, activity set analyse, resources & capabilities, business model, sustainable advantages, internal/external/dynamic fit - consistency)**

   How does Telenet make sure its competitive advantage is sustainable? Use a framework to discuss this.
   **(4 threats of sustainability: imitation, substitution, hold-up and slack)**

3. (6 points)
   Based on the case, was the fixed telecommunication industry attractive or not in 2004? Which elements are important? Focus on the important forces that determines the attractiveness (Porter's Five Force Model + Complements)
   **Explain Porter's 5 forces (+ complementary), Industry Value System**

4. (4 points)
   Which 2 tests could Telenet use to evaluate the importance of taking over Base? Link this to the information in the case.
   **(Better off test/ best alternative test + Best Owner)**

**Bonus question** (1 point) (only when final solution is correct)
Calculate the Enterprise Value. Info given: WACC, g, sales, direct costs, indirect costs (incl. depreciation, tax, equity, non-current liabilities, cash)

**Calculate Invested capital**
**IC = Equity + Non/current Liabilities - Cash equivalents**

**Calculate NOPLAT (=NOPAT is given)**

**(Depreciation included in Indirect Costs).**
**NOPLAT / Invested capital = ROIC**

**Enterprise value = Invested capital + (Invested capital*(ROIC-WACC)/WACC-g)**