



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **MGT3114 Corporate Strategy**
Semester & Year : May – August 2021
Lecturer/Examiner : Joseph Choe Kin Hwa
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (40 marks) : TWO (2) Case Study Questions. Answer ALL of the questions. Answers are to be written in the Answer Booklet provided.
PART B (60 marks) : THREE (3) Structured-Type Questions. Answer ALL of the questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 5 (Including the cover page)

PART A : CASE STUDY QUESTIONS (40 MARKS)

INSTRUCTION(S) : Answer all **TWO (2)** questions. Write your answers in the Answer Booklet(s) provided.

Rocket Internet – will the copycat be imitated?

Rocket Internet is a very successful Berlin-based start-up incubator and venture capital firm. It starts, develops and funds e-commerce and other online consumer businesses. With over 700 employees and an additional 30,000 across its network of portfolio companies, the firm has helped create and launch over 100 start-ups and is currently active in more than 70 companies across more than 100 countries.

The company was founded by the Samwer brothers, Alexander, Oliver and Marc. After going to Silicon Valley in the late 1990s they became inspired by the Californian entrepreneurial culture and especially eBay. The brothers contacted eBay offering to create a German version of the online auction house, but they received no reply from eBay. Instead they launched their own eBay clone, Alando. A month later they were acquired by eBay for \$50m (£30m, €37.5m). This was to be their first great online success, but far from the last. Next the brothers created Jamba, a mobile phone content platform. It was sold to VeriSign, a network infrastructure company, for \$273m in 2004. Since then they have become experts in spotting promising business models, especially in the USA, and imitating and scaling them internationally quicker than the originals. This model is the basis of Rocket Internet, which was founded in 2007 and stock listed in Germany in 2014 valued at \$8.2bn. Several of their ventures have been acquired by the company with the original idea. Two of their most high-profile ventures after Alando were CityDeal, which was sold off to American Groupon, and eDarling sold to American eHarmony.

The company has frequently been criticised for simply being a copycat machine without any original ideas, and some have even claimed it is a scam that rips off the originals. However, the question remains: if Rocket Internet has been so incredibly successful and what it does is simply copying, why has no one successfully imitated Rocket Internet yet?

Finance and expert teams

Rocket Internet has strong financial backup from its main investor globally, Kinnevik, a Swedish investment company with a 14 per cent stake. Other investors invest directly in the start-ups and in the later growth stages, among them the American investment bank J.P. Morgan. To work with the investors and structure the financial solutions, Rocket Internet has a large team of finance experts at the Berlin headquarters. Besides financial skills Rocket Internet also develops the concepts of new ventures, provides the technology platforms and combines various skills necessary for setting up new ventures. It has about 250 specialists working at the Berlin head office. These specialists are part of diverse expert teams. Engineering, including IT software, programming and web design skills, is essential for product development and there are around 200 engineers with access to state-of-the-art technologies.

The expert team in marketing includes experts in customer management, customer relationship marketing and online marketing. Other teams include Operations, Business Intelligence and HR. Apart from this, there is a Global Venture Development programme including a global mobile task force of entrepreneurial talents that can bring further know-how to all international markets. This task force includes venture developers with functional skills in product development, supply management, operations and online marketing. They rotate every 4–6 months to a new venture in another part of the world.

Human resource management and culture

The HR team recruit regular staff support for Rocket Internet and specialists for the expert teams and Global Venture Development programme and, not least, the founders of the ventures. Based on their entrepreneurial spirit they emphasise personal drive rather than good school grades. The co-founders and managing directors of the individual ventures establish all operations, build the team around a venture, and develop the business; acting as entrepreneurs and holding personal stakes in the venture's equity. Recruiting them is central and Rocket Internet normally recruits extraordinary, ambitious MBA-level graduates with high analytic skills from within the local regions where the venture is set up.

The company emphasises not only strong expertise, but 'a close cultural connection to Rocket Internet'. Rocket Internet has an intense entrepreneurial working culture that is highly performance driven including high pressure, long working hours, often from 09.00 to 23.00, and little job security. While this is attractive to some, the culture has also been criticised for being too tough and aggressive.

Identification of business models and execution

While some of Rocket Internet's skills are common among other European incubators, the company is more of an international venture builder compared to most. Expertise is shared throughout the portfolio of ventures globally and its best practice can be applied across diverse business models (ranging from online fashion to payments to deals to social networking). Compared to many other incubators, the function of the headquarters is central. While entrepreneurs are hired to oversee individual ventures, overall strategy for Rocket Internet is largely shaped at the head office. The managing directors at head office lead the scanning for and identification of novel and proven online and mobile transaction-based business models that are internationally scalable.

Another significant aspect of Rocket Internet's centralised model is the speed at which it can launch novel business models internationally. This is different compared to many US and European counterparts. Rocket Internet has an international infrastructure and distribution network with the capacity to build ventures on an international scale in just a few months.

In brief, Rocket Internet specialises in execution rather than innovation. This is also how the management defend their model when they are blamed for simply being a clone machine. Paradoxically, even though Rocket Internet often builds on others' ideas, it prefers to keep its own ideas for itself as explained by Marc Samwer in the International Herald Tribune: 'We

really don't like to speak about our investments since our track record encourages people to set up competing sites . . . Ideas travel much faster these days

The future

Rocket Internet's success has continued. Zalando, which initially mimicked the online shoe retailing business in the USA by Zappos, now part of Amazon, has expanded into clothing and jewellery. Sales are rising rapidly: annual revenues for 2014 were \$2.5bn and \$94m in profit; and at its German stock listing the same year it was valued at €5.3bn. Other fashion brands have also been launched under the umbrella Global Fashion Group: Dafiti (Latin America), Jabong (India), Lamoda (Russia), Namshi (Middle East) and Zalora (South East Asia and Australia). After the IPO some investors complained that the company had become too complex to analyse and understand. In the Financial Times, Oliver Samwer describes it as a 'killer cocktail' including proprietary software, its training programmes and its 'matter-of-fact and objective' culture and claims: 'I don't think we have to change our successful model because of public investors'.

Rocket Internet has, however, started to attract imitators of its own. One of the operations is Wimdu, a copy of the American Airbnb, which allows individual home and apartment owners to list their properties as holiday accommodation. However, Airbnb quickly formed a partnership with another Berlin incubator, Springstar, and they have since been rolling out Airbnb globally. Similarly, the original company responded swiftly when Rocket Internet imitated Fab.com, a designer deal site, with its Bamarang. Fab acquired Casacanda, a parallel European site, and quickly re-launched it as Fab internationally and Rocket Internet had to close down Bamarang. Rocket Internet is even facing imitators from within. Two of its managing directors have, together with other former employees, left to set up the Berlin incubator 'Project A Ventures'. Internationally there is also increasing competition including The Hut Group in the UK. There are thus signs that Rocket Internet may eventually be imitated itself.

(Adopted and modified from Johnson, G., Whittington, R. & Scholes, K., Angwin, D. & Regner, P. (2018). Exploring strategy, 12th Edn. Pearson, United Kingdom. p. 128-130)

Question 1

Critically analyse **FIVE (5)** resources and capabilities of Rocket Internet. (20 marks)

Question 2

In the SWOT analysis, threats are factors that can be potential dangers to the firm's business models because of changes in macro-economic factors and changing consumer perceptions.

Discuss **FIVE (5)** major threats for Rocket Internet. (20 marks)

END OF PART A

PART B : STRUCTURED-TYPE QUESTIONS (60 MARKS)

INSTRUCTION(S) : Answer all **THREE (3)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

En. Kamal is operating a budget hotel called the New Norm Hotel in Kuala Lumpur. He wants to know how he can build barriers-to-entry for new competitors entering the budget hotel industry around his area.

Explain to En. Kamal the **FIVE (5)** major forms of barriers-to-entry to the budget hotel industry. (20 marks)

Question 2

A comprehensive assessment of an organisation's strategy needs more than one perspective.

Using relevant examples, discuss the **FOUR (4)** strategy lenses in organisations that look at strategy issues differently when generating business insights. (20 marks)

Question 3

Mr. Jacob Tan, the Chief Executive Office of Western Data International has asked you to develop intensive strategies to improve the company's competitive position in Malaysia. The company sells information and communication technology products such as computers, laptops, hand phones and other related accessories.

Prepare a report on the intensive strategies which Western Data International can adopt to become more competitive. (20 marks)

END OF QUESTION PAPER