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Subject Code:	ORG 409
Subject Name:	International Management
Date:	28.november 2005
Duration:	Four hours (kl. 09.00 – 13.00)
Number of pages:	1 + attached case
Allowed material:	Students may use dictionaries (English and/or Norwegian) and/or to/from English and Norwegian and the students native language.)

*Read the attached case on ACER. Then answer the following questions.
(Note: For Question 3 answer EITHER A) OR B). All questions will be weighted equally.
Be sure your answer shows that you both know the theory and can apply it. Make logical assumptions where necessary.*

1. Use the information in the case, any logical assumptions (which you make explicit), and theory to argue for what type of international strategy ACER appears to have. Make sure that your answer demonstrates your understanding of the strategy.
2. Discuss, applying theory to the case, the selection of Gianfranco Lanci as president of ACER. Include in your discussion the relationship between type of strategy (as you presented in question 1), and, given the strategy, the roles and responsibilities for him and for the other managers.
3. Schmidleithner aims to push the fraction of lap tops sold in the US to 8% by 2007. Schmidleithner is teaming up with distributors that target small businesses.

Discuss EITHER A) in terms of strategy for internationalization
OR B) in terms of collaborative challenge.

Acer Who?

Deborah Orr, 11.28.05

Dell, once the low-cost interloper among slow-moving giants, is now looking like a big fat target itself.

Dell has bested many competitors with its PC price wars and made-to-order machines since Michael Dell started selling computers from his college dorm room 21 years ago. But now the Round Rock, Tex. firm, which issued a sales and profit warning in October, has a name from the past nipping at its heels: Acer, the Taiwanese computer maker that pulled out of the U.S. retail market in 1999.

Acer laptops are back on the shelves at Circuit City and CompUSA, putting the company on course to double its computer sales in the U.S. this year to better than \$1 billion. Dell's shipments are growing roughly in line with the market (up 17.6% in the September quarter from a year ago). Acer's shares have jumped 51% so far this year. Dell's are down 30%.

Acer, after overtaking Fujitsu Siemens a year ago, is now the fourth-biggest seller of PCs worldwide, according to market research group Gartner. By 2008 Chief Executive J.T. Wang wants to overtake Lenovo, the Chinese company that bought IBM's PC business, and make a profit doing it. That would mark a stunning turnaround for a company that nearly destroyed itself less than a decade ago.

Acer once assembled computers for big names such as IBM and Hewlett-Packard and for its own label. After a series of bad investments in everything from semiconductors to a company making Unix-flavored computers, Acer was bleeding red ink in the U.S. Over the last five years Wang, with founder Stan Shih, has closed down, sold or spun off its consumer electronics, contract manufacturing and almost every other business except marketing and distributing its branded PCs and notebooks.

Acer made one good investment in 1997, when it bought Texas Instruments' laptop computer business. Half of the company's \$7 billion in worldwide revenues last year came from laptops. The acquisition brought another good thing: Gianfranco Lanci, who ran Texas Instruments' Italian business. He was put in charge of Acer Europe in 2000, and now Acer is the top-selling laptop brand in Italy, Germany and Spain. This year the board made him president, the first non-Asian to hold such a high position at one of Taiwan's technology icons.

For his next act Lanci wants to follow the European playbook in the U.S. Two years ago he asked Rudi Schmidleithner, who has worked with Lanci since his Texas Instruments days, to take charge at Acer's Silicon Valley office. Schmidleithner started by teaming up with distributors that target small businesses and putting all the firm's energy into pushing laptops, the fastest-growing computer market. The next step is to boost Acer's desktop computer and monitor business in the U.S.

Acer still looks like little more than an annoyance to its big U.S. competitors. One in every three laptops sold in the U.S. is a Dell, points out Gartner analyst Charles Smulders. HP sells one in five. Acer is a distant seventh, with 3.6% of the laptop market. Schmidleithner aims to push that fraction to 8% by 2007, which would mean overtaking Apple and Gateway.

Acer is beating Dell at its own game--price. "It's a myth that Dell is a low-cost producer," says Schmidleithner. Dell's overhead costs are 9%, Acer's 7.7%. And in the U.S., Schmidleithner says, Acer's overhead costs are less than 4%. "We are not worried about them," he insists. An Acer laptop with a 15.4-inch screen, 512 megs of memory, a 60-gig hard drive and a DVD drive with a CD recorder runs \$700 (after a \$200 rebate). A comparable Dell Inspiron would be \$1,266.

The nice thing about being the underdog is that you can tell yourself you have nowhere to go but up.