12.3 Corporate and international strategy

Name: _____ Class: _____ Date: _____ **Total: 14 marks**

KEY WORDS Ansoff matrix • synergy

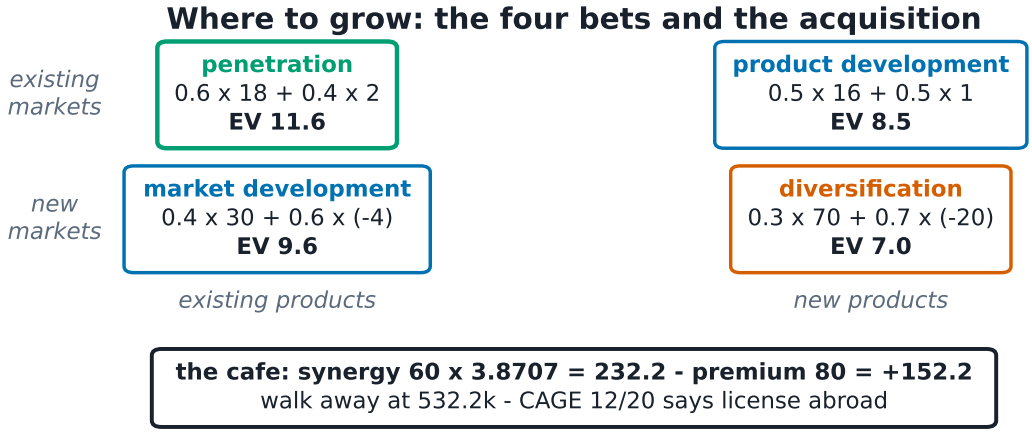
Objective

Rank the growth bets by expected value, value an acquisition, and read CAGE distance.

1 Key knowledge and worked examples

■ Bets, premiums, distance

Ansoff: penetration, market, product, diversification - risk rises with each step out. Acquisition value = synergy PV minus premium; walk-away = standalone + synergy PV. CAGE: cultural, administrative, geographic, economic.



The boring quadrant wins the arithmetic

■ Worked example. The bakery

EVs 11.6 / 9.6 / 8.5 / 7.0; cafe synergy 60 x 3.8707 = 232.2 - premium 80 = +152.2, walk-away 532.2; CAGE 12/20 - license ✓.

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2 Practice

Four bets: penetration (0.7 x 12k, 0.3 x 1k), school contracts (0.5 x 24k, 0.5 x -6k), a frozen range (0.6 x 10k, 0.4 x 0), buying a farm shop (0.25 x 60k, 0.75 x -16k).

2.1 The four expected values, and the ranking. [4]

2.2 The farm shop: standalone 220k, synergies 45k a year for four years at 8%. The annuity factor (three decimals), the synergy PV, and the value created at a 300k offer. [4]

2.3 The walk-away price. [2]

2.4 The farm shop's export idea to Spain scores CAGE 2 + 3 + 2 + 2. The total, and the recommended entry form. [4]

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