

# Analysis executive brief

Business



Case Analysis Brief: MGM Resorts International MGM Resorts International is faced by several challenges, among them a need to reduce its substantial leverage, management of its property portfolios, make up differences with its major competitors, and identifying the right international model especially in Asia. The most pressing challenge, however, involves how MGM is going to proceed with its business operations in Asia, specifically what model it is going to use in the Asian market (Hitt et al 231). This has become particularly important as large emerging markets in China and India become wealthier with increased demand for entertainment, while the economic crisis in the US forces MGM to look for alternative international investment opportunities. The alternatives that MGM Resorts International takes in proceeding with its business operations in Asia will be dependent on their commitment to the market, their level of resources, and how much risk they want to incur. One alternative is using a joint venture, which would involve establishing a cooperative business venture with another company or more. This would be a temporary partnership where MGM and its partner company would gain mutually by sharing rewards, risks, and costs. They could also pursue a strategic alliance, in which they would grant a foreign company in the Asian market the authority to use MGM's marketing rights and development knowledge. This will not involve creation of a new entity and they will pursue set objectives but remain independent organizations. Finally, they could also turn to foreign acquisitions or direct foreign investment, in which they will acquire an interest in a firm located in the Asian market. This would involve MGM paying for the acquisition of the company by acquiring their stock, paying in cash, or both. MGM, however, would have to evaluate these alternatives in light of their resources and their level of commitment to

<https://assignbuster.com/analysis-executive-brief/>

the market as stated. A joint venture would enable MGM to establish a presence in the Asian market with the help of a local partner that could offer the knowledge of internal markets, regulations, and government workings. It is an ideal strategy where a company has limited knowledge of the market and manpower, limited capital, and wishes to mitigate risks. However, they will also have to share the profits with the local partner and difficulties could arise due to differences on management philosophies and marketing efforts. A foreign acquisition would require MGM to expend an abundance of financial resources, while their exposure to risks using this strategy would be very high with changes in government policy, for example, affecting operations. However, they will get full authority over the company's policy on financing and marketing strategies. Finally, a strategic alliance is less formal and could actually be used as the first action towards the creation of a joint venture. MGM should use this strategy, as it will allow them to contribute complementary strengths when opportunities arise, as well as respond quickly to the ever-changing environment in the Asian market. MGM could take several actions under a strategic alliance to gain a competitive edge over its major competitors, especially in the Chinese market. The strategic alliance could be used to protect MGM's slim competitive advantage by using it as a learning alliance, where they can build incremental skills in service delivery with the help of a Chinese company experienced in the service sector. Where it fails to immediately give MGM a competitive advantage, MGM could use the strategic alliance as a way to block threats from its competitors like Caesars who could use a low-priced strategy in the market. Using a partner who can provide low-priced services would successfully block this threat. Moreover, the strategic alliance could be used for future strategic

<https://assignbuster.com/analysis-executive-brief/>

options, whereby MGM could invest in an alliance with a support services company in China. In this case, they will have an option to expand into the Chinese market at any point in the future as they work to shore up their Las Vegas operations without expanding too fast to China. Finally, they could also use dual sourcing strategies for vital service processes as part of their strategic alliance for risk mitigation. Using these actions under a strategic alliance in China will portend several consequences for MGM Resorts International. To begin with, it will give them access to supplementary processes and services, which they would, otherwise, have been unable to offer to clients in the Asian markets. This will allow them to focus on their core competencies in the Chinese market by offering new services to Chinese customers without losing focus on its specialized services, as well as its capabilities. They can also increase their brand awareness to customers that they do not have the resources to reach otherwise due to their declining income and high leverage. In this case, their partner should be a business offering different services to a similar market, enabling them to grow their market size with minimal effect on their business. However, if they choose the wrong partner, this could be damaging to their business in China, especially if the partner fails to offer the right degree of integrity and honesty, as well as dedication, to the partnership. Despite the advantages that the strategic alliance will provide for MGM, it is important to note that there is a significant enough rate of failure for this international strategy, one of which is the risk of opportunistic behavior of the partner they chose in the Chinese market. In this case, it is possible the partner firm could enter into the alliance to satisfy a secret agenda, such as to absorb the skills, knowledge, and other assets provided by MGM, rather than cooperate for

<https://assignbuster.com/analysis-executive-brief/>

mutual benefit. As a result, contracts made between the two companies should be aimed at mitigating future and contemporaneous risks. Works

CitedHitt, Michael, Hoskisson, Robert & Ireland, Duane. Strategic

Management: Competitiveness & Globalization: Cases. Mason, OH: South-Western, Cengage Learning, 2013. Print.