

Help management decide analysis flashcard



**ASSIGN
BUSTER**

Anheuser-Busch is an American-based brewer operating on a global scale.

The company expanded its presence through strategic alliance with a Chinese based-company, Tsingtao Brewery. In 2005, the company “ raised its stake in Tsingtao Brewery to 27 per cent by exercising convertible bonds worth US\$145. 56 million in China’s largest brewer” (Anheuser lifts Tsingtao 2005). By focusing on rates of return on investment, adjusted for inherent risks, the strategic alliance developed an economic overview of those options likely to produce the best returns for them. Risks are obviously greatest the more resources are committed to a venture, although also included in the consideration are such issues as political uncertainty, economic fluctuations and uncertainty over the performance potential of third parties.

This strategic alliance was successful because it helped both companies to increase market presence. Thus, “ margins are expected to remain under pressure as costs rise and the influx of overseas players makes rivals even stronger” (Anheuser lifts Tsingtao 2005). For Anheuser-Busch, wholly-owned foreign direct investment options afforded it total control over activities and potentially higher returns than other strategies but at the expense of greater risk. Following Carroll and Buchholz (2000), strategic alliances are usually in a powerful position within market to influence the expectations of other stakeholders.

They have access to information and channels of influence which are not available to many other stakeholders. Potential hazards or problems, both when used as intended and possible misuse or use in other applications, should be identified. Trust regulations not damage the people or the

environment in the target market. In activities related to market entry and expansion, should be taken to ensure that methods used do not conflict with either local or home values, and will not be construed as including bribery. Assessment of risk and trust interdependence is necessary because it helps act honestly avoiding misleading or confusing claims (Carroll and Buchholz 2000).

The international strategic alliances should be aware of what approaches and subjects are considered as acceptable to target market, and conform to requirements. Duties and obligations help to control activities of both parties and their staff. All efforts should be made to prevent false claims and pressure tactics. Anheuser-Busch did not face with political or legal barriers. Chinese market has positive legal framework for international companies proposing great opportunities for TNCs. On the other hand, fierce competition and rivalry became the main problems faced by Anheuser-Busch.

“ It is also facing pressure from higher energy and raw material prices” (Anheuser lifts Tsingtao 2005). Country of origin allowed Anheuser-Busch to obtain a very competitive position on the Chinese market. Anheuser-Busch has had a core of loyal supporters and developed lines of services to satisfy the needs of wide audience.