

# International Management

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## International Management Paper - Business Scenario & Instructions

### Instructions:

Your Team is an outside consultant hired by the CEO to submit a proposal to the firm for a new **International Management Strategy**.

Please review the business scenario provided herein and then address the questions / issues that are referenced below as part of your **International Management Strategy Proposal** to the CEO and Board of Directors.

Please analyze each of the questions / issues in your proposal and support all of your final recommendations with appropriate research and analysis.

Questions / Issues to be addressed in your Three-Year Proposal:

- 1- What changes (if any) should be made to the existing **International Management Strategy** to achieve both short-term and long-term strategic success?
- 2- Where should Empire Re locate its new foreign offices (including city and country) and what is your reasoning behind your recommendation?
- 3- What should be the proper mix of employees (U.S. vs. Foreign) in the new foreign offices to achieve both short-term and long-term financial success? In addition, how large should the staff be in each of the new offices and what role / position should each employee assume?
- 4- **What training should be implemented for employees to improve their ability to successfully interact with their foreign colleagues and business prospects to achieve both short-term and long-term financial success? In addition, what tools and / or software should be utilized to enhance the effectiveness of the proposed training?**

Finally, please prepare a **Corporate Announcement** to all employees that articulates the new **International Management Strategy** to address the above issues.

### Firm Information:

Your client – **Empire Reinsurance Company** (“Empire Re”) is a 15 year-old reinsurance company headquartered in New York, NY that has enjoyed 5 continuous years of growth, profitability and overall

prosperity. The firm has a regional office in Chicago, IL and five branch offices, one each in Philadelphia, Atlanta, Dallas, Seattle and San Francisco.

At present, the firm also has three foreign offices in the following locations:

- **London, England** (opened in 2011) with NWP = \$31.5 million (in 2017)
- **Munich, Germany** (opened in 2012) with NWP = \$18.6 million (in 2017)
- **Zurich, Switzerland** (opened in 2014) with NWP = \$9.7 million (in 2017)

In order to expand the firm's foreign footprint, the Board of Directors has authorized expansion into the Far East (Asia Pacific Region) and South America, but has yet to decide which cities and countries would be best suited for their strategy. They are thus seeking your advice on this issue, together with your rationale and analysis.

Empire Re employs 3,650 knowledge workers who reside in 4 Strategic Business Units (SBUs) as follows:

- **Treaty**
- **Facultative**
- **Broker Market**
- **Alternative Market**

In addition, the company is both a Direct Writer of reinsurance (30% of their overall book of business) and also uses the Broker Market (70% of their overall book of business) to sell reinsurance products to its customers – i.e., insurance companies looking for reinsurance.

Their Combined Ratio has consistently been in the 85 – 90% range and last year (2017) they earned record net income of \$248 million on net written premium (NWP) of \$960 million. As a result, company morale is at an all-time high and employees seem energized to continue several more years of growth and continued success.

The CEO & Chairman of the Board (Elliott Carver) is a former media mogul and freedom-loving philanthropist who will go to any length to increase his market share and achieve his long-term goal of global reinsurance dominance. He strongly believes that a highly skilled, diverse workforce (with multi-cultural experience and expertise) is a competitive advantage in the marketplace and has instituted an aggressive three-year corporate strategy that he is calling ***“The World is Not Enough”***. As such, he is going after business currently held by his chief rivals – Munich Re and Swiss Re – and has decided to play to win!

In support of the overall corporate strategy, he has asked you to revamp the firm's **International Management Strategy** so that Empire Re can attract and retain the best talent in the industry in order to gain a competitive advantage over its rival firms, worldwide.

This will be a three-year initiative and the proposed strategy is expected to be implemented over the same period of time with tangible business results anticipated by the end of each calendar year.

## **Business Scenario:**

Empire Re's existing **International Management Strategy** is comprised of several key components as follows:

### 1) Growth via Expansion, Acquisition and Differentiation

Empire Re is interested in accelerating its top line growth through a combination of expansion into new markets, acquisition of smaller reinsurance companies who have the right infrastructure, and a differentiation approach that seeks to be unique in its industry along dimensions that are widely valued by reinsurance buyers.

The Board of Directors has allocated \$750 million in capital to pursue the new growth strategy.

### 2) Growth of Net Written Premium / Net Income

Empire Re is interested in increasing NWP as follows:

- by 6% in 2018
- by 8% in 2019
- by 10% in 2020

They also desire to increase Net Income as follows:

- by 4.5% in 2018
- by 6.5% in 2019
- by 8.0% in 2020

### 3) Growth via New Foreign Offices

Empire Re is interested in opening at least one new office in a foreign location each year for the next three years in the geographic regions referenced above, but has not yet determined how to accomplish this strategic goal.

## Special Note from the CEO & Chairman of the Board:

Dear Consultant:

As you can imagine, your success in leading this important strategic project is critical to the achievement of the long-term strategic goals of Empire Re.

As a special incentive, if the new **International Management Strategy** is deemed to be a success (as measured by a 10% increase in NWP at the end of year 3 of the new strategy) we have funded a one-time bonus in the amount of \$150,000.00 that will be awarded to your firm – in addition to your existing consulting contract in the amount of \$500,000.00.

We wish you the best of success as you undertake this project and begin your relationship with Empire Re. We are your partner in this endeavor and expect complete transparency in this process from beginning to end.

Please contact our Chief Financial Officer (Mr. Stamper) if you have any questions or concerns.

Above all else, please remember – ***“The World is Not Enough”!***

Godspeed,

**Elliott Carver**  
CEO & Chairman of the Board