Seat No.: ________

Enrolment No.

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER– III EXAMINATION – WINTER 2019

Subject Code: 2830006 **Date: 02-12-2019**

Subject Name: International Business

Time: 10:30 AM TO 1.30 PM **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q-1 (a) Choose the correct option **06**

1 __________ is an economic system whereby the government owns and controls all resources.

A. Mixed Economy **B.** Market Economy
C. Capitalist Economy **D.** Command Economy

2 In __________ products are sold to an intermediary in the home market, which then exports those products to other countries.

A. Direct Exporting **B.** Indirect Exporting
C. Hybrid Exporting **D.** Multiple Exporting

3 Which of the following collaborative strategies entail least control to the firm

A. Franchising **B.** Joint Venture
C. Equity Alliance **D.** Consortium

4 A ________organization tends to believe that its business units abroad should act like local companies

A. Ethnocentric **B.** Polycentric
C. Geocentric **D.** None of these

5 _______ law system is based on tradition, judge-made precedent and usage, a foreign country.

A. Common law system **B.** Civil law system
C. Theocratic law system **D.** Customary law system

6 _______ is one type of nontariff barrier where government of Country A asks the government of Country B to reduce its companies' exports to Country A voluntarily.

A. Quota **B.** VER
C. Embargoes **D.** Export Tariffs

(b) Explain in brief **04**

1. Licensing Agreement
2. Political Freedom
3. Economic Integration
4. Gray Market

(c) Discuss types of legal system prevailing across the world. **04**

Q-2 (a) Discuss types of Economic systems in the world. **07**

(b) What is Economic Integration? Discuss the role of WTO in economic integration at global level. **07**

OR

(b) Discuss the major exchange-rate arrangements that countries use **07**

Q-3 (a) Discuss the four generic strategies adopted by firms entering and competing in foreign markets **07**

(b) Explain how firms marketing their products globally may segment markets with suitable examples. **07**

OR

Q-3 **(a)** What is Protectionism? Discuss some of the economic reasons of governmental intervention in trade. **07**

(b) Explain what factors should be considered to scan and evaluate a country for foreign operations. **07**

Q-4 **(a)** Define exporting as a mode of international trading. Why firms engage in exporting? **07**

(b) Discuss the major factors affecting the success of global operations strategy of the firm. **07**

OR

Q-4 **(a)** What MNE's can do to protect assets from risk from different types of exchange-rate exposure? **07**

(b) Discuss the different staffing frameworks guiding the MNE's staffing policy. **07**

Q-5 **Read the following case and attempt the questions:** **14**

Samsung Group is South Korea's leading conglomerate. It has 270,000 employees in 470 units in 67 countries, with $227 billion in annual revenues. The flagship company within Samsung Group is Samsung Electronics Corporation (SEC). Despite the Great Recession, SEC's profits have been higher than those of its five largest Japanese rivals (Sony, Panasonic, Toshiba, Hitachi, and Sharp) combined.

Clearly, Samsung has done something right. However, it has not been easy. To increasingly compete outside Korea, Samsung needs to attract more non-Korean talents. But given its traditionally rigid hierarchical structure and the language barrier, its initial efforts to attract and retain non-Korean talents were disappointing. In response, Samsung Group headquarters in 1997 set up a unique internal consulting unit, the Global Strategy Group, which reports directly to the CEO. Members of the Global Strategy Group are non- Korean MBA graduates from top Western business schools who have worked for leading multinationals such as Goldman Sachs, Intel, and McKinsey. They are required to spend two years in Seoul and study basic Korean. The group's mission, according to its website, is to "(1) develop a pool of global managers, (2) enhance Samsung's business performance, and (3) globalize Samsung."

Global Strategy teams work on various internal strategy projects for different Samsung companies. Each team has a project leader, which gives the individual an opportunity to take on a leadership role in a high-level consulting project much earlier than a typical consulting career provides. Each team has one to two global strategists. It also has a project coordinator, who is a senior Korean manager acting as a liaison between the team and the management of the (internal) client company. On average, projects last three months and typically involve some overseas travel. Starting with 20 global strategists in the class of 1997, nearly 400 projects have been completed in 15 years. These projects help global strategists form informal ties and expose them to the organizational culture. After two years, global strategists would "graduate" and be assigned to Samsung subsidiaries, many of which are in their home countries.

Despite good-faith efforts by both Korean and non-Korean sides, the success of the Global Strategy Group is anything but assured. Overall, cultural integration is a tough nut to crack. Of the 208 non-Korean MBAs who joined the group since its inception, 135 were still with Samsung as of 2011. The most successful ones are those who have taken the greatest pains to fit into the Korean culture, such as eating kimchi and drinking Korean wine at dinner parties. Before the establishment of the Global Strategy Group, not a single non-Korean MBA lasted more than three years at SEC. With the Global Strategy Group as a cohort group, one third of the non-Korean MBAs in the first class of 1997 were still with SEC three years later (in 2000). Over the next decade, the retention rate went up to two thirds. Three experts noted how the non-Korean members of the Global Strategy Group have slowly, but surely, globalized Samsung's corporate DNA:

The effects of these employees on the organization have been something like that of a steady trickle of water on stone. As more people from the Global Strategy Group are assigned to SEC, their Korean colleagues have had to change their work styles and mindsets to accommodate Westernized practices, slowly and steadily making the environment more friendly to ideas from abroad. Today, SEC goes out of its way to ask the Global Strategy Group for more newly hired employees.

Answer the following questions:

(1) "HRM is more difficult for the MNE than its domestic counterpart" – Discuss the statement with respect to the details given in the case.

(2) Discuss Samsung's strategy for developing and retaining global pool of managers

OR

Q-5 **Case** **14**

Indian billionaire Ravi Ruia has flown to Africa at least once a month for the past year and a half. He is interested in coal mines in Mozambique, an oil refinery in Kenya, and a call center in South Africa. Soon, he may also have a power plant in Nigeria. "Africa looks remarkably similar to what India was 15 years ago," says Firdhose Coovadia, director of African operations at Essar Group, the $15 billion conglomerate headed by Ruia and his brother, Shashi. "We can't lose this opportunity."

Faced with increasing competition and a welter of bureaucratic obstacles at home, Indian companies are looking to Africa for growth. Since 2005, they have spent $16 billion on the continent, versus at least $31 billion spent by the Chinese, according to data compiled by Bloomberg and the Heritage Foundation, respectively. Bharti Airtel, India's largest mobile-phone provider, in June 2010 paid $9 billion for the African cellular operations of Kuwait's Zain. In 2008, India's Videocon Industries paid $330 million for two coal mines in Mozambique, and India's state-run fertilizer maker bought an idled Senegalese phosphorus producer for $721 million. Beyond these big deals are dozens of smaller acquisitions and investments by Indian companies. "Compared to India, valuations in Africa are quite attractive," says Anuj Chande, who heads the South Asia Group at accounting firm Grant Thornton in London.

The Indians view Africa as a place where they can replicate the low-cost, high-efficiency business model they have honed at home. Like India, Africa has hundreds of millions of underserved consumers eager to buy products tailored to their needs. Consumer spending in Africa may double, to as much as $1.8 trillion by 2020. McKinsey &Co. predicts an increase that would be the equivalent of adding a consumer market the size of Brazil. As a pioneer in sales of single-use sachets of soap and shampoo (along with

Unilever and Procter & Gamble) for lower- income Indians, Mumbai-based Godrej Consumer Products understands "low- cost, value-for-money products," Chairman Adi Godrej said in an interview. In June 2010, his company acquired Nigerian cosmetics maker Tura, and in 2008, it bought South African haircare company Kinky. Indian companies also see Africa as a hedge against a possible slowdown at home. "If tomorrow the Indian economy was to take a U-turn, then at least you have other markets which are growing," says Neeraj Kanwar , managing director, Apollo Tyres, India's No. 2 tiremaker. His company bought South Africa's Dunlop Tyres for $62 million in 2006, giving Apollo two manufacturing plants on the continent and brand rights in 32 African countries.

Essar has endured endless squabbles with Indian landowners who refuse to make way for steel mills. Like other Indian companies tired of regulatory headaches at home, it moved into Africa and now has 2,000 employees there. Bangalore-based Karuturi Global, the world's largest rose producer, couldn't get enough land in India to compete with European and African rivals. Many times flowers wilted on the tarmac as cargo flights were delayed or cancelled, including a big Valentine's Day shipment. So in 2004, Karuturi bought a small plot in Ethiopia, and sales have since grown elevenfold, to $113 million in the year ended March 31, 2010. Karuturi now leases 1,200 square miles of land in Ethiopia—larger than the state of Rhode Island—and sells more than half a billion roses a year. "Africa offered us a scale we could never reach in India," says Managing Director Sai Ramakrishna Karuturi. "I'd love to do more in India, but getting even 1,000 acres near Bangalore took years."

Answer the following questions:

(1) Discuss the major reasons why numerous Indian firms enter Africa?

(2) Compare Africa with India with respect to Opportunities, Cost and Risk faced by Indian firms?

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