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MS-97

03681

MANAGEMENT PROGRAMME

Term-End Examination

June, 2013

MS-97 : INTERNATIONAL BUSINESS

Time : 3 hours *Maximum Marks : 100*
(Weightage 70%)

Note : *(i) There are two Sections : **A** and **B***
*(ii) Attempt **any three** questions from **Section A** which carry **20** marks each*
*(iii) **Section B** is compulsory and carries **40** marks.*

SECTION - A

1. (a) What is eclectic paradigm in the context of international business theories ? Discuss the applicability of this model.

   (b) The preferred mode of internationalization of India corporate business has been the joint venture. Explain the reasons for this preference.

2. (a) Differentiate between the evolutionary pattern of MNEs originating from countries like U.S. and Japan.

   (b) Describe the variables for environmental scanning and the corresponding modes of scanning.

3. (a) Different types of interdependences exist between the units of a multinational enterprise. What effects these interdependences have on the control system ? Discuss.

(b) Explain why it is necessary for an international organization to have both-an on-going Monitoring System and **ad hoc** performance evaluation exercises.

4. (a) Discuss the relative merits and demerits of recruiting managers from the home country, the host country and the third country for international business.

(b) Explain the concept of "rationalization of production" in the context of international operations. What factors play a part in such rationalization ?

5. Explain ***any three*** of the following :

(a) Just-in-time approach.

(b) Impact of FDI on Less Developed Countries (LDCs).

(c) Benefits of regional groupings to their member countries.

(d) World Bank Affiliates and promotion of international business.

(e) Renegotiation and reasons that prompt renegotiation of contracts.

SECTION - B

Read and analyze the care study, hereinafter carefully and answer the questions given below :

A1 technologies

As his shot fell somewhere in the middle of a ragged clump of trees that passed for woods in this part of India, Rajneesh Dham couldn't help but think how his game had deteriorated over the first six months of 2001. Golf was the only other thing in the life of Dham, a bachelor, who at 43, looked at least five years younger.

The 'main' thing, of course, was the company he had founded, A1 Technologies, and that too, had seen its performance tumble over the past six months. It was either one of those irritating coincidences, Dham thought to himself, or it was just that work was affecting his game. After all, hadn't he shot that magnificent 4 under par, the day after his company's stock touched an all-time high.

But yesterday, Dham had seen a different side of Dave : at a meeting of the company's executive committee, the man had come across as an almost hysterical individual muttering statistics about how the slowdown in the US economy was forcing companies to cut their infotech-spend.

Dham tried to play things down. "Remember the Y2K ? Or the euro-dollar conversion business that followed ? We were on a high. But we were also worried : What next ? Well, we got over it, didn't we ? We used those opportunities to build relationships. We will do the same thing now".

But Dave wasn't to be silenced so easily. "However, the situation was different then; business was booming. There was room for all. Besides, every client was hiking IT spend. There was no talk of cost-cutting. No one in the IT sector thought of idle capacity. Today, 40 per cent of our engineers are on the bench. The fundamentals of business have changed".

Now, placing the ball on the tee at the 9th hole, Dham was thankful for the conference call that had terminated their meeting. He really had not had the answers to the questions raised by Dave and other members of the executive committee.

"We'll continue this on Monday," he had, reassured Dave, and the rest of the team. He didn't find that prospect appealing at all.

Dham had always been the cheerleader. What his colleagues didn't know was that, this time, even he was worried.

Several software biggies, with whom A1 had consciously avoided competing in the past were now invading its territory; a price-war was looming large on the horizon; and all major customers had unilaterally reduced billing rates, between 25 per cent and 40 per cent. "If our existing vendor cannot match these billing rates," a missive from one customer had said "we have no option, but to look for new vendors."

The Beginning And The Beginning Of The End

Dham had founded A1 in the heady days of the early 90s infotech boom. The company soon carved out a niche for itself in linking companies to their suppliers, partners, and customers. The task, as Dham never tired of telling anyone who cared to listen, involved some programming, and lots of maintenance.

Software biggies gave this niche the go-by : there was more money in pure programming. And A1 managed to tap the booming small and medium enterprises (SMEs) segment in the US. It didn't boats any *Fortune 500* companies in its client list, but it had more than a dozen SMEs that swore by A1, and kept coming back to it.

But now, that very focus was beginning to hurt. The US was A1's single largest market; worse, the bulk of the company's revenues (about 75 per cent) came from 12 SMEs. Dham, and his senior management team had thrashed the issue threadbare at the meeting where Dave seemingly lost it. Marketing, everyone had agreed, was one area A1 could do with some improvement in. Rajeev Marwah, the company's Vice-President (Accounts), had been scathing in his comments. "We have to correct some mistakes of the past. Marketing has always been our weakest link. Now the link is in danger of snapping altogether".

It wasn't that the company hadn't seen things coming. It had. Since early 2001, a team of engineers had been working on two initiatives under the guidance of Hemanth Shah, the head A1's projects function. One was to conduct courses and workshops on e-biz for A1's customers; and the other was to develop a set of products that would support the design, implementation, and management of e-biz applications.

"Both initiatives," Shah had pointed out in a tone that suggested he wouldn't have anyone imply he hadn't done his job well, "are ready to roll out".

Dave's concern, though, wasn't about the long-term strategy of attracting new clients; it was about the short-term imperative of retaining existing clients, by reducing billing rates if it was necessary.

"We should go for topline growth even if it means reduced margins. The latter must be offset against improvements productivity and operational efficiency.

The rest of the meeting had passed in a chaotic blur. Shah had warned about software biggies cutting their rates, and Chintan Parekh, the CFO, had insisted that moving to a fixed -fee contract would solve all problems.

Dham had been weakly suggesting a possible alliance with a software major, which could outsource projects to A1 when the call had come.

Questions :

(a) What do you diagnose as the main issue/ problem facing the company ? What are the areas of concern ?

(b) What approaches/strategies would you suggest/recommend for the company to adopt in regard to the main issues that you have identified in (i) above.

(c) Analyse the strategic options for the company with regard to international markets, technologies, HRM and other areas.

(d) Do you agree with recommendations made by company executive ? Justify.