1474603

No. of Printed Pages : 8

MS-97

MANAGEMENT PROGRAMME (MP)

Term-End Examination

June, 2019

MS-97 : INTERNATIONAL BUSINESS

Time : 3 Hours *Maximum Marks :100*

***Note :** There are two Sections A and B. Attempt any three questions from Section A. Each question carries 20 marks. Section B is compulsory and carries 40 marks.*

Section–A

1. Discuss in detail how the country risk analysis is an important aspect of international business.

2. Identify the key aspects of global business strategy and describe the framework used for designing global business strategy.

3. Discuss in detail terms of payment in international trade.

4. "It is important to develop practical skills in formulating implementing and evaluating e-business strategies." In this context discuss e-business in practice and highlight what are the challenges involved.

5. Write short notes on any *four* of the following :

   (a) Distinction between GATT and WTO

   (b) Transactional structure

   (c) International recruitment and selection

   (d) Transfer pricing

   (e) Corporate social responsibility

Section–B

6. Read the following case study and answer the questions at the end :

   Case Study :

   General Motors is one of the oldest multinational corporations in the world. Founded in 1908, GM established its first international operations in the 1920s. General Motors is now the world's largest industrial corporation and full-line automobile manufacturer with annual revenues in 2003 of $ 185 billion. The company sells 8.5 million vehicles per year, 3.2 million of which are produced and marketed outside of its North American base. In 2003, GM had a 15 percent share of the world automobile market.

Historically, most of GM's foreign operations have been concentrated in Western Europe. Local brand names such as Opel, Vauxhall, Saab, and Holden helped the company to capture a 12 percent market share in 2002, second only to that of Ford. Although GM has long had a presence in Latin America and Asia, until recently sales there accounted for only a relatively small fraction of the company's total international business. However, GM's plans call for this to change. Sensing that Asia. Latin America and Eastern Europe may be the automobile industry's growth markets in 1997 GM embarked on ambitious plans to invest $ 2.2 billion in four new manufacturing facilities in Argentina, Poland, China, and Thailand. This expansion goes hand in hand with a change in GM's philosophy toward the management of its international operations.

Traditionally, GM saw the developing world as a dumping ground for obsolete technology and outdated models. Just a few years ago, for example, GM's Brazilian factories were churning out U. S. designed Chevy Chevettes that hadn't been produced in North America for year. GM's Detroit-based executives saw this as a way of squeezing the maximum cash flow from the company's investments in ageing technology. GM managers in the developing world, however, took it as an indication that the center did not view developing world operations as being significant. This feeling was exacerbated by the fact that most operations in the developing world were instructed to 'carry out manufacturing and marketing plans formulated in the company's Detroit headquarters, rather then being trusted to develop their own.

In contrast, GM's European operations were traditionally managed on an arm's-length basis, with the company's national operations often being allowed to design their own cars and manufacturing facilities and formulate their own marketing strategies. This regional and national autonomy allowed GM's European operations to produce vehicles that were closely tailored to the needs of local customers. However, it also led to costly duplication in design and manufacturing operations and to a failure to share valuable technology, skills, and practices among subsidiaries. Thus, while General Motors exerted tight control over its operations in the developing world, its control over operations in Europe was perhaps too lax. The result was a company whose international operations lacked overall strategic coherence.

GM has been trying to change this since the late 1990s by switching from its Detroit-centric view of the world to a philosophy that centers of excellence may reside anywhere in the company's global operations. The company is trying to tap these centers of excellence to provide its global operations with the very latest technology. The four new manufacturing plants in the developing world are an embodiment of this new approach. Each is identical, each incorporates state-of-the-art technology, and each has been designed not by Americans, but by a team of Brazilian and German engineers. By building identical plants. GM hopes to mimic Toyota, whose plants are so much alike that a change in a car in Japan can be quickly replicated around the world. The plants are modeled after GM's Eisenach facility in Germany, which is managed by the company's Opel subsidiary. it was at the Eisenach plant that GM figured out how to implement the lean production system pioneered by Toyota. The plant is now the most efficient auto-manufacturing operation in Europe and the best within GM. Its productivity is at least twice that of most North American assembly operations. Each of the new plants produces state-of-the-art vehicles for local consumption.

To realize scale economies, GM is also trying to design and build vehicles that share a common global platform. Engineering teams located in Germany, Detroit, South America, and Australia are designing these common vehicle platforms. Local plants are allowed to customize certain features of these vehicles to match the tastes and preferences of local customers. At the same time, adhering to a common global platform enables the company to spread its costs of designing a car over greater volume and to realize scale economies in the manufacture of shared components–both of which should help GM lower its overall cost structure. The first fruits of this efforts include the 1998 Cadillac Seville, which was designed to be sold in more than 40 countries. GM's family of front-wheel-drive minivans was also designed around a common platform that allows the vehicles to be produced in multiple locations around the globe, as was the 1998 Opel Astra, which is GM's best-selling car in Europe. Ultimately, GM hopes this coordinated global approach to designing cars will reduce the costs of developing a new vehicle by 15 to 25 percent. GM cars will reduce by $ 3.5 billion its annual bill of $ 100 billion for component parts.

Questions :

(i) How do you evaluate the strategy pursued by GM in the :

(a) Developing world

(b) Europe before 1997 ?

(ii) What do you think were the likely competitive effects of the pre.1997 strategy ?

(iii) How do you think of the strategy that GM has been pursuing since 1997 ?

(iv) How should this strategy affect GM's ability to create value in the global automobile market ?