No. of Printed Pages : 11

MS-97

MANAGEMENT PROGRAMME

Term-End Examination

December, 2010

05001

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. International business is supposed to have several dimensions. Discuss these dimensions from the host country and MNE's points of view.

2. Explain the three main barriers that an MNE has to overcome so that it can follow a multi-focal strategy.

3. (a) Why is the need for control felt particularly in multinational enterprises ? Discuss the key questions in relation to control that arise in international business.

(b) "That MNEs have considerable marketing power is a fact which cannot be denied." Explain the reasons for this power. How might this power affect the host country ?

4. Explain the Global Sourcing Strategy. What are the requirements for success of this strategy ? Must an MNE follow the decentralized system of sourcing and procurement.

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

   (a) Rationale of Regional Trade Groupings

   (b) Transaction Cost Approach as an international trade theory

   (c) Cross-cultural negotiation process

   (d) Role and magnitude of FDI in international business

   (e) Contribution of WTO in international business

SECTION - B

05001

6. (a) Several Indian companies have internationalized their operations over the last two decades or so and some of them have even become global companies. What could have been the motivations for expanding business by way of internationalizing their operations ?

(b) Read the following case study carefully and give your analytical responses to the questions posed at the end.

SOUTH SUGAR COMPANY (SSC)

Introduction

The South Sugar Company (SSC) was a subsidiary of the Southern Corporation, a multinational corporation. It was located in a developing country in Asia. The country had embarked on an economic development and modernization process. It was interested in becoming self-sufficient in many areas, particularly in food production. The SSC was one of several sugar companies, which together produced 60% of the country's sugar requirement. The remaining 40% was imported from other sugar-producing countries. The SSC was one of the lowest-cost producers in the country. Consequently, it was able to expand its sales and production every year.

In the 4 years prior to the events described in this case, its tonnage sales had increased at an average of 20% each year, its sales in the local currency by 23%, and profits by 7.5%.

Despite this record, some managers were complaining that the SSC was not gaining its rightful share of the country's growing economy. The country had an economic development program that aimed at the modernization of agriculture as well as industrialization, financed by growing exports of raw materials and minerals. The gross domestic product (GDP) had been growing steadily for some years and was expected to continue in the future. In the sugar industry, modernization efforts were expected to result in complete self-sufficiency.

Human Resource Practice

The SSC offered good wages and fringe benefits, including health insurance, to its employees. It also had a profit-sharing plan. Most of its employees were long-term employees. Except for department heads and agricultural specialists, most of its white-collar workers were not college graduates but had learned their work through years of experience.

The company had identified this lack of formal training and education as a problem and began hiring college graduates for administrative positions. The need for business graduates was particularly apparent, and they were hard to recruit. SSC facilities were located in rural areas, and it was especially difficult to get college graduates to leave the amenities and opportunities of modern living in the cities to live in rural locations.

The SSC had been successful, through offering a higher-than-average salary, in hiring a college graduate to be its chief accountant. This person, Byan, served successfully for 2 years. At that time, Malak, a young business school graduate, interviewed for a position as a junior cost accountant working for Byan. During an interview with Byan's supervisor, the Vice President (VP) of finance, Malak was told that the VP was expecting to take a position in the home office of the parent corporation and expected that Byan would replace him.

Based on this interview, Malak decided that the SSC would provide him with opportunities for growth and progress. The company was expanding, and there seemed to be ample opportunities for promotion. Company policy on promotions was based on three criteria; education, seniority, and performance. Malak finished 3 months of training and orientation successfully. During his training, he impressed everyone with his aptitude for problem solving, his flexibility toward people, and above all, his friendly manner.

After 1 year he had proved to be an efficient and valuable employee. Consequently, he was promoted to the position of manager of the cost accounting department. Malak was pleased with his new job and with the fact that he now was the only person reporting directly to Byan. This distinguished him from other junior accountants and clerks who were not college graduates, and it was more satisfying to him personally and socially.

In his new position, Malak developed some personal relationships with the staff at the parent company, the Southern Corporation. Now and then he would receive information from his parent company contacts concerning decisions related to the firm. It was through these informal channels that he became aware of political pressure resulting in some discrimination in performance appraisals and rewards. Although this was unpleasant, he ignored it because it did not affect him. One morning in February, Byan called Malak to his office. Byan told him that the VP of finance was about to leave for the home office and that there was a general understanding that Byan would replace him. In such a case, Malak would move up to Byan's position Byan wanted assurance that a new accountant who had been hired recently could perform Malak's duties. Malak assured Byan that he had been training the new accountant and grooming him to assume additional responsibilities in anticipation of such an eventuality. In fact, the new accountant was doing well and could handle the job.

A couple of weeks later, the VP left for the home office, and Byan was asked to assume the vacated position. He eagerly accepted the offer and was waiting for his formal promotion. After 2 months, however, someone else from the home office was brought in as the new VP. This was a huge personal setback for Byan. It was more than he could tolerate. Disappointed and dejected, he resigned shortly thereafter. Before leaving, Byan told Malak to plan ahead so that he, too, would not become the victim of favouritism. After Byan's departure, Malak was appointed as chief accountant.

The new VP of finance was aware that Malak was concerned over what had happened In justifying management's decision, he told Malak that it was the policy of the company to appoint its higher-level executives from the home office. The VP of finance had to be someone who had worked at the home office and had developed a working relationship and trust with the home office staff. Of course, these explanations and justifications did satisfy Malak's concerns. He was uncomfortable and unsure about his future advancement with the firm.

Malak stayed with the firm for one more year. During this time, he was convinced that chief cost accountant was as high as he could advance with the company. He began searching for other opportunities, and when he received a reasonable employment offer from another firm, he left the SSC. Before leaving the company, he had the following conversation with the personnel manager, Zamen.

Zamen : Well, we surely will miss you here. I wish you would stay with us, but I assume you have given it enough thought and are doing what is best for you.

Malak : You know, Mr. Zamen, that I would stay if I had a chance for future progress. I am not the only one who is disappointed with the firm. Look at your turnover figures.

Zamen : I can see your point, but I do not accept that everybody leaves the firm for that reason. Lots of people simply receive better offers or get tired of living in this part of the country.

Malak : Yes, I know that, but I am sure that I am not the only one who has resigned because of the company policies. I wish some day the SSC would realize what is happening around here.

The personnel manager wished him luck and left for his office. Reviewing the conversation with Malak in his mind and looking at the turnover figures for the last few years, he wondered what he could do.

Questions :

(a) What could be the consequences of a multinational company following the policy of staffing key positions only with people from the home country ?

(b) What policy recommendations would you like to give ? How would you deal with the trust factor ?