

International Strategic Management

Final Exam - Open Book Exam

Dear students,

Greetings,

The exam consists of 2 parts. The total number of points that can be achieved is 120. Use the indicated points per question as a guide how much time you should spend on the question (e.g. 30 points correspond to 30 minutes).

Part 1: Multiple Choice Questions (1.5 Points for each question) Max. 30 points. Only one answer is correct. There are no deductions for wrong answers. On your answer sheet write the question number and the letter of the correct answer, e.g. 1c, 2a, 3b,...)

1. The Vice President of Global Expansion for a telecommunication company is in charge preparing a comprehensive report on the company's global operations over the past twenty years. He assigns three strategists to collaborate on the History portion of the report, which details the rationale behind company's decisions to expand operations in particular areas. Strategist A focuses on early expansion to China, which occurred after China began to make its market more accessible to foreign companies. Strategist B focuses on company's expansion to Eastern Europe, which was motivated by increased industry privatization in key countries. Strategist C focuses on expansion to Japan, which happened when the company's commercial bank expanded its service network to Asia. To which of the following drivers of market globalization is Strategist B most likely to attribute his company's expansion to Eastern Europe? **C**
 - a. advances in technology
 - b. integration of world financial markets
 - C** market liberalization
 - d. industrialization

At a conference on business internationalization strategies, representatives of three different businesses meet to discuss a joint venture between their companies. Business A is located in a country that dominated during the first wave of globalization. Business B is based in a country that dominated during the second wave of globalization. Business C is located in an emerging market country.

2. The representative from Business A is most likely from **B**.
 - a. China
 - b. United Kingdom
 - c. the United States
 - d. Spain
3. The representative from Business B is most likely from **A**.
 - a. the United States
 - b. Spain
 - c. Germany
 - d. Japan
4. The representative from Business C is most likely from **B**.
 - a. Italy
 - b. Brazil
 - c. the United States
 - d. France

5. After a first corporate training session, a number of the German employees expressed frustration that the Indian employees lacked technical knowledge because none of them asked questions or offered answers. Which of the following would be the best way for the trainer to handle the situation? A

- a. Remind the German employees that the Indians may be showing respect by remaining silent.
- b. Order the Indian employees to interact more during the session.
- c. Host a casual get-together so the German and Indian employees can get acquainted.
- d. Ignore the complaints of the German employees and continue the training sessions as planned.

6. Which of the following is characteristic of collectivist societies? B

- a. In collectivist societies, each person tends to focus on his or her own self-interest.
- b. In collectivist societies, compromise and conformity help maintain group harmony.
- c. In collectivist societies, ties among people are relatively loose.
- d. In collectivist societies, those who compete best are rewarded financially.

7. Which of the following managers portrays high uncertainty avoidance? C

- a. Greg manages the market development fund team for a leading computer manufacturing firm. He is entrepreneurial and makes decisions quickly under tough situations.
- b. James is the business head of marketing in a leading automobile manufacturing company. He coaches his team members to become accustomed to risk and organizational change.
- c. Henry is the managing editor at NewsToday. He emphasizes careful evaluation of all options and ensuring they are consistent with company policies, which often slows down the progress.
- d. David manages the technical team at IT Solutions. He is open to different opinions from team members and is not threatened by differing opinions.

8. As part of opening manufacturing units abroad, a U.S. apparel firm decided to send its apparel production coordinator to Bangladesh. He is distressed that people don't come to meetings on time and finds it disrespectful when his team members stand too close to him. The coordinator may trigger a cross-cultural risk by a(n) _____. A

- a. ethnocentric orientation
- b. anthropocentric orientation
- c. polycentric orientation
- d. geocentric orientation

9. XYElectronics is a multinational home appliance manufacturer and produces fridges and ovens from its facilities in the United States and China, which are then shipped to retail stores around the world. Kitchen sizes vary around the world, and as a result, product sizes must vary as well. U.S. retailers want large refrigerators and ovens, while European and Asian retailers demand smaller units. XYElectronics manufactures over 20 different models of refrigerators, which often vary in size by only a few inches. XYElectronics managers are concerned that the firm is losing money because of product adaptations. XYElectronics management is meeting to discuss the various cost-saving options. Which of the following questions would be the most important for XYElectronics managers to evaluate when determining how the firm could reduce production costs in a single market? C

- a. Has the demand for XYElectronics ovens and refrigerators declined in recent years?
- b. Are customized XYElectronics ovens and refrigerators as user friendly as the ones that are not?
- c. Can XYElectronics standardize its ovens and refrigerators?
- d. Are XYElectronics ovens and refrigerators likely to have greater demand in warmer countries than in colder regions?

10. Assume a company wants to promote a product requiring explanations. Before developing a print media campaign, which of the following must the marketing department of the company determine about the company's target market? **D**

- a. the number of homes who already own a product in the product category
- b. the percentage of people owning substitute products
- c. the number of global ad agencies in the target market
- d.** the literacy rate among the target population

11. The computer industry is an example of a **C**.

- a. locally responsive industry
- b. multidomestic industry
- C.** global industry
- d. country-by-country competitor

12. Which of the following is necessary for local responsiveness to effectively increase a firm's competitiveness? **A**

- a.** Local managers need to be able to make decisions based on local needs.
- b. Corporate executives must standardize marketing and merchandising.
- c. Employees must be hired and trained only within a local region.
- d. A firm's bankers and financial managers must be locally based:

13. Hansen GmbH a manufacturing company, has its headquarters located in Leipzig, Germany, and subsidiaries in India, China, and Vietnam. Which of the following decisions will be the most centralized? **A**

- a.** decision about building factories in Cambodia
- b. decision about hiring a marketing manager for its India operations
- c. decision to open a retail store in Vietnam
- d. decision about marketing newly developed products for the Chinese market

14. Namsung is a Korean consumer electronics manufacturer. The company markets notebooks, smartphones, laptops, and desktops in the international market and each product division operates as a stand-alone profit center with substantial autonomy. This is an example of a **C**.

- a. global matrix structure
- b. functional structure
- C.** product structure
- d. geographic area structure

15. Multinational firms engaged in corruption: **B**

- a. are normally more successful than those that are not engaged in corruption.
- b.** are likely to become less innovative.
- c. can expand faster in global markets.
- d. Are always small- and medium-sized enterprises.

16. Two managers debate on the focal point of their strategic analysis. Manager A argues the most importantly they must focus on the firm's unique skills and capabilities while manager B holds that they should rather concentrate their analysis on competitors, customers and suppliers. Which statement is true about the perspective of the two managers?

B

- a. Manager A follows the institution-based view on strategy while manager B supports the industry-based view on strategy.
- b.** Manager A follows the resource-based view on strategy while manager B supports the industry-based view on strategy.
- c. Manager A follows the industry-based view on strategy while manager B supports the resource-based view on strategy.
- d. Manager A follows the resource-based view on strategy while manager B supports the institution-based view on strategy.

17. The Diamond Model assumes that:

D

- a. Multinational firms must develop global strategies based only on home demand conditions.
- b. Multinational firms must pay less attention to global consumers than domestic consumers.
- c. The national home base of a firm must be the biggest market for a multinational firm.
- d.** The national home base of a firm plays a key role in shaping that firm's competitive advantage in global markets.

18. The idea of a Double Diamond suggests that managers of a multinational firm based in a small country should:

C

- a. no longer pay attention to home demand and factor conditions.
- b. develop corporate strategies around global products and services targeted at niche markets.
- c.** assess the conditions of competitiveness in both their home country and the large neighboring country when developing corporate strategies.
- d. move their corporate headquarters from their home country to the large neighboring country.

19. An alliance between a supplier and a buyer that agree to use and share skills and capabilities in the supply chain, is called:

C

- a. Diversification alliance
- b. Shared supply alliance
- c.** Complementary alliance
- d. Vertical integration alliance

20. Which statement on a SLEPTS analysis is true?

C

- a. A SLEPTS analysis must be complete and include as many aspects as possible
- b. A SLEPTS analysis investigates external and internal factors of a business
- c.** In a SLEPTS analysis it is debatable whether a given factor should be part of one dimension or another.
- d. In international management the SLEPTS analysis is to be conducted for the entire world.

Part 2: Essay Questions (Max. 90 points, 30 points per question)

You need to **answer 3 of out of the 4 questions** to achieve the total amount of 60 points for this part. If you answer more than 3 questions, the first 3 will count. Clearly indicate by the question number which question you are answering.

General remark: Carefully read the questions and make your answers clear to the point, giving examples are very much appreciated. Bear in mind that open book exam does not mean rewriting what is in the book or copy and paste. The following questions are short essays questions, requiring response of approximately 500 - 800 words each. Provide your answer well-structured and avoid duplications. Avoid general knowledge or platitudes and use expert knowledge such as theory or facts. Indicate by the question number which question you answer. Avoid arguing with "in my opinion, I think, I guess" but rather use arguments to make you points. Do not think in terms of right and wrong answers. Show what you have learned in order to discuss and comment on cases and practical problems in international strategic management.

Question 1: Foreign Direct Investment (30 Points)

Assume you work for TOPAudio, a small manufacturer of studio-grade audio equipment. Products are used for sound recording, - reinforcement, audio mixing, and studio music production by trained sound engineers and audio technicians who work in live event support and recording. Business has declined recently, foreign rivals from emerging markets are increasing competition, and management is worried. Because TOPAudio does all its manufacturing in Denmark, it lacks cost advantages, and its prices are relatively high. After studying the problem, you conclude that TOPAudio should move much of its production to a lower cost country, but senior management knows little about FDI. Prepare a report to management (= do not simply answer the questions) detailing the advantages of establishing a production base in Bulgaria. Why should the firm be interested in foreign manufacturing? Recommend which type of FDI TOPAudio should use in Bulgaria. Finally, what advantages and disadvantages should the venture expect from manufacturing in Bulgaria? Would it be even more advantageous to plan a move to China or India?

Question 2: Corporate Social Responsibility (30 Points)

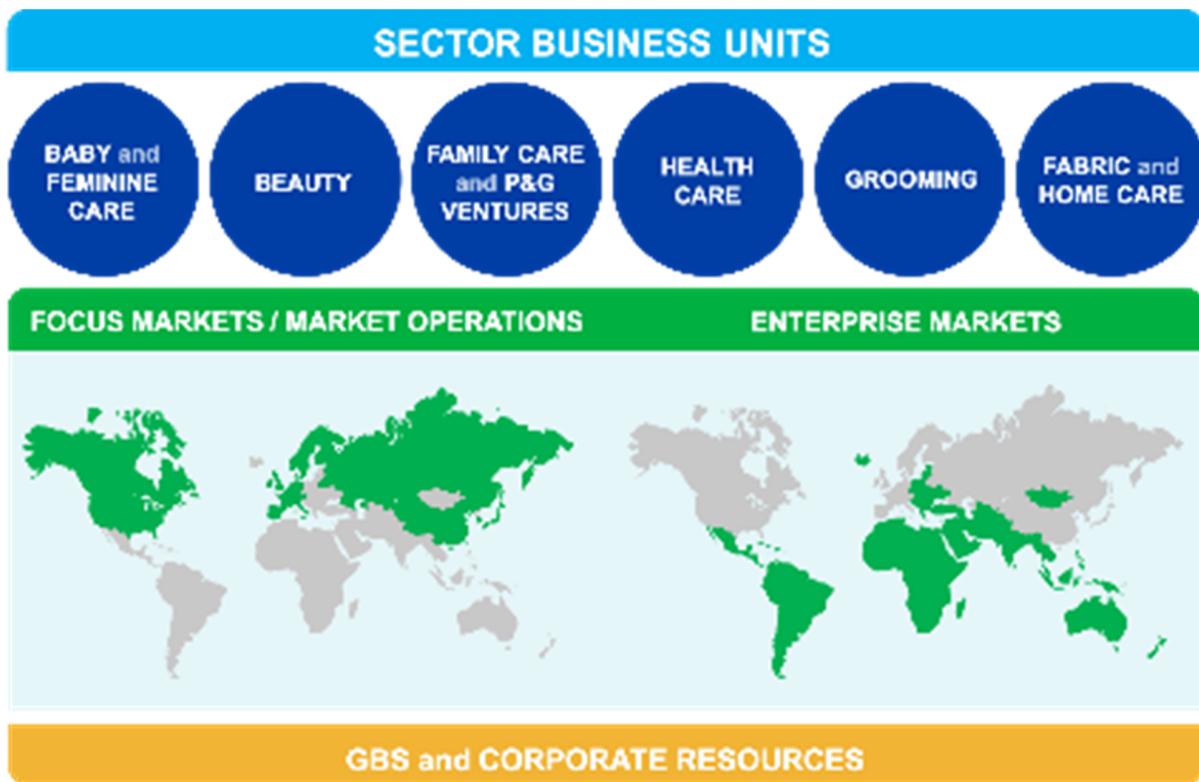
The German government has apparently agreed on a supply chain law for companies. In a press conference on Friday, Feb. 7th, 2021 details were presented. Companies are obliged by the law to enforce human rights with their suppliers abroad. Business representatives had warned against a national solo approach. If at all, a supply chain law should be sought at European level or within the framework of the 20 leading industrialized and developing countries (G20). According to Employment Minister Heil and Development Minister Müller voluntary commitments by the industry have failed because only a fifth of the companies adhere to them. The focus is on the food and textile industries, among others. Discuss the concept of Corporate Social Responsibility. What roles does it play between a company and its host country? Discuss the criticisms against MNCs in the past regarding their activities in less-developed countries. What counterarguments might be brought forward? Why do national cultures need to be taken into account if MNCs need to enforce their ethical codes across different countries? Why is it difficult to enforce these codes?

Question 3: International Marketing (30 Points)

Distrelec (www.distrelec.com) is a Swiss trading company for electronic and technical products. With more than ten locations spread across Europe, the company is active in over thirty countries, including Switzerland, Germany, Austria, Italy, Norway, and Sweden as well as countries in Eastern Europe. According to GfK's purchasing power study, in 2019 the gap between rich and poor countries in Europe is substantial: Liechtenstein tops the rankings with €67,550 per person, Switzerland and Germany being in the middle with €42,067 and €23,779 respectively, while last-ranked Ukraine has just €1,830 per person. Suppose Distrelec decides to launch a line of notebook computers and wants to know how to price them in each of these markets. What factors should Distrelec consider in setting prices in each market? Develop a systematic, step-by-step approach to analyze the factors that Distrelec needs to consider when developing their international price strategy. Your analysis should lead to a conclusion and a recommendation for the company's pricing approach.

Question 4: Managing the International Organization – formal and informal coordination mechanisms (30 Points)

The consumer goods giant P&G operates through six industry-based Sector Business Units (SBUs): Fabric and Home Care, Baby and Feminine Care, Family Care and P&G Ventures, Beauty, Grooming, and Health Care. (The figure below provides an illustration.) The SBUs have sales, profit, cash and value creation responsibility for our largest and most profitable markets, called Focus Markets—accounting for about 80% of company sales and 90% of after-tax profit. In each Focus Market, Market Operations works across the six SBUs on scaled market services and capabilities, including customer teams, transportation, warehousing, logistics and representing P&G externally. The rest of the world is organized into Enterprise Markets—a separate unit with sales, profit and value creation responsibility. The SBUs provide innovation plans, supply plans and operating frameworks for the Enterprise Markets to deliver these mutually agreed business goals. Enterprise Markets are important to the future of P&G because of their attractive market growth rates, and the intent is to accelerate this growth and value creation. Supporting the SBUs, Market Operations and Enterprise Markets are key corporate resources focused on scaled services, governance, stewardship and areas requiring high mastery. P&G claims that this structure enables a more empowered, agile and accountable organization to accelerate growth and value creation.



Source: P&G corporate website <https://us.pg.com/structure-and-governance/corporate-structure/>

Comment of the structure with regard to the role of the organizational structure in coordinating international firms. In your answer refer to the analogy by Bartlett and Beamish between to firm and the human body as well as formal and informal coordination mechanisms. In what way does P&G's organization reflect recent advances on organization types?