Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 3 – • EXAMINATION – WINTER 2016

Subject Code: 2830006 **Date: 02/01/2017**

Subject Name: International Business (IB)

Time:02:30 pm to 05:30 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) Objective Questions **06**

1. The phenomenon of converging tastes and preferences of consumers in different nations on some global norms leads to:

A.	Globalization of markets	B.	Globalization of Production
C.	Both (a) and (b)	D.	Integration

2. When quantity of money in circulation rises faster than stock of goods and services, it is referred to as

A.	Purchasing Power Parity	B.	International Fisher Effect
C.	Price Inflation	D	Foreign Exchange Risk

3. In which of the following the needs of the society as a whole is viewed as being more important than individual freedom?

A.	Collectivism	B.	Individualism
C.	Democracy	D.	Totalitarianism

4. A contract that specifies that the carrier is obligated to provide a transportation service in return for a certain charge is called as:

A.	Draft	B.	Bill of Lading
C.	Bill of exchange	D.	Letter of Credit

5. Which of the following is not a characteristic of the Franchising mode of entry for International Business:

A.	Intangible property (trademark) is sold	B.	A new firm formed is jointly owned by two otherwise independent firms
C.	Primarily used by service firms	D.	Firms are relieved of the cost of opening the business in the new country

6. Tax levied as a proportion of the value of imported goods is referred to as:

A.	Specific tariff	B.	Ad-valorem tariff
C.	Subsidy	D.	Antidumping Duty

Q.1 **(b)** Explain the following terms: **04**

1. Local Content requirement as an instrument of trade policy
2. Command Economy
3. Spot Rate
4. Currency Swap

Q.1	**(c)**	Answer the following in brief: 1. Objectives of WTO 2. Purchasing power parity	**04**
Q.2	**(a)**	'Political systems of a country shape its economic and legal system'. Explain different types of political systems that prevail in the world.	**07**
	(b)	What factors have contributed to an increased growth in globalization?	**07**
		OR	
	(b)	Citing proper examples explain the difference between domestic and international business.	**07**
Q.3	**(a)**	What is foreign exchange risk? Explain Transaction Exposure, Translation Exposure and Economic Exposure.	**07**
	(b)	Organizational structure of international firms is based on the strategy that they follow". Based on this principle explain the following: 1. Global Product Division 2. Global Area Division 3. Matrix Structure	**07**
		OR	
Q.3	**(a)**	What are the basic instruments that government uses to intervene in foreign trade?	**07**
	(b)	Culture is an important variable that affects international business. Culture differences affect the cost of doing business in different countries. Give arguments in support of the statement.	**07**
Q.4	**(a)**	Why do accounting systems differ in countries? Explain briefly the major factors that affect development of accounting systems.	**07**
	(b)	Giving suitable examples, cite major advantages and disadvantages of ethnocentric, polycentric and geocentric approach to staffing policy.	**07**
		OR	
Q.4	**(a)**	What is a global supply chain? What are the key factors on global manufacturing strategy?	**07**
	(b)	Considering the pressures for Global Integration and Local responsiveness, identify four types of international business strategy in detail.	**07**
Q.5		CASE STUDY **Gender equity** As general manager of the Delhi office of the international McDott-Nitin advertising agency, Diva Dutta had an urgent decision to make. The head of a large project team had been taken seriously ill, and with a major pitch due for a potentially large client in just 6 weeks she needed to appoint a replacement at once. There were three potential candidates. In terms of ability and management potential , Roby was clearly the strongest. Here performance to date had been outstanding, and while this would a significant step up, Diva was fully confident that she could make it, put together a	**14**

very strong pitch and, in the process, make a case for permanent promotion when a vacancy next arose. The only difficulty was that this would mean making Roby senior to and more highly paid than her husband, Sanjay. Currently they were at the same level, but Sanjay, having been with the company for longer, was on the higher salary, and was generally seen as the senior partner. Promoting Roby, even temporarily, would be difficult for him, and very difficult for her – indeed when Diva raised the possibility in casual conversation, Roby pleased with her not to be promoted.

The second candidate was Sanjay himself. He was the most experienced person on the team, a safe pair of hands and would be seen by colleagues as an obvious choice, but Diva strongly doubted his potential to lead the team, and worried that the pitch would fall flat.

The third candidate was David, the son of the firm's chief executive, who was in the middle of a six month stint in Delhi as part of a programme of gaining exposure to the firm world-wide, before taking up a head-office position. David had less experience than either of the other two candidates, and less natural ability than Roby, and from the point of view of the pitch would be a very high risk choice. The advantage, though, was that even if he failed, as Diva thought likely, the experience would ultimately be of value to the firm.

Q.1 What ethical consideration might Diva take into account in making this decision? Would these be different if the office were in New York? Or in Shanghai?

Q.2 Discuss in detail the different kinds of staffing decisions used in International Business. In the above case which approach according to you should be most effective.

OR

Q.5 Case Study

Human resource management in Russia: an American's dilemma **14**

Mickey Jones arrived in Novgorod, in north-west Russia, in Spring 2007. He worked for Starz Inc., a major US food manufacturer, and had been posted to head up its wholly owned Russian subsidiary. Starz Russia was a medium-sized manufacturing plant with 300 employees. It had been set up in 1994 and had a functional organization with the top tier staffed by American expatriates, and with locally recruited middle management.

The Americans were typically on short-term postings: two to four years for the president (Jones) and six to twelve months for three vice-presidents, of production, marketing and sales. All had international experience, but none had worked in Russia or Eastern Europe before. Before moving to Novgorod they received short cultural briefings and a three week crash course in Russian.

The Russian managers were mainly in their late twenties, well-educated but with little management experience and no experience beyond the region. The blue-collar employees came from various backgrounds but most had experienced serious financial difficulties before joining Starz. A third had been unemployed; the rest had been employed but had received no wages for months on end. Their average wage at Starz was around US$200 a month, about 30% more than the average wage then in Russia.

The new company had quickly run into problems of pilfering, theft and production stoppages. By late 1999, when Jones's predecessor Bob Stark had arrived, theft was a major problem, with about 30% 0f production workers thought to be involved. Although absenteeism was rare, lateness and unscheduled breaks were common. Productivity was a long way below that of other Starz factories in the Asia and the West. There were also problems with the Russian managers, who showed little initiative, ignored instructions, and failed to address problems down the line.

Bob Stark had initially responded in two ways. He had introduced tighter control systems, including security checks and bag searches carried out by the local managers. And he had created an informal reward system based on those traditionally used in Russian firms, and those used by Starz in some developing countries. Each month the best performing manager and supervisor were awarded special badges, received thank-you letters from Stark, and had their photographs mounted on the wall. The initiatives had little effect, however, and in 2002 Stark had hired a senior Russian manager to oversee the Russian management team. Nikolai Rubkoff was in his mid-fifties and had previously been managing director of a large tractor plant, and he brought in a completely new management style. He believed that little could be achieved unless people feared punishment, he shouted and abused the Russian managers, and he intimidated the production workers. To combat theft he simply selected a group of workers and demanded that they prove their innocence. When they could not (how could they?) he fired them. That, he told Stark, would teach them a lesson.

By the time Jones arrived, theft was down significantly, discipline had improved, and productivity, though still low, had also improved. The managers were still not showing initiative, but deadlines were met and problems sorted out quickly. Rubkoff's methods were not applauded by everyone, however. On consulting his American colleagues, Jones found one arguing that Rubkoff had turned the company round and clearly knew how to manage in a Russian context, and another arguing that his methods were a disgrace and should not be tolerated. The third was torn between the two views.

Mickey Jones'performance would be measured in terms of how Starz Russia performed over the next two to three years. His gut reaction was that Rubkoff's methods were immoral – but they were producing results.

Q.1 Do you think Rubkoff was right in his approach of handling the Russian employees? What was Jones' dilemma?

Q.2 Explain the term cultural diversity and discuss its implications with reference to the case above

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