

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER-IV • EXAMINATION – SUMMER • 2015

Subject Code: 840002

Date: 07-05-2015

Subject Name: International Business (IB)

Time: 10.30 am - 13.30 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) Why is awareness of cultural variables important in international business? **07**

(b) Describe the importance of political and legal environments in international business? **07**

Q.2 (a) Describe the idea of economic freedom and what it means to the economic development of a country. **07**

(b) What are ethnocentrism, polycentrism, and geocentrism, and what are the advantages of each? **07**

OR

(b) What types of payments are legal and illegal under the Foreign Corrupt Practices Act of the United States? **07**

Q.3 (a) Explain the relationship between international trade and factor mobility theory **07**

(b) Discuss the functions of the European Commission and Council of the European Union. **07**

OR

Q.3 (a) Why is the understanding of international trade theories both laissez-faire and interventionist useful to managers in international business? **07**

(b) What are the effects of international factor mobility on origin and destination countries? **07**

Q.4 (a) Why do international managers need to understand how to evaluate countries and select among them for operations? **07**

(b) What sources of assistance are available to the exporters who are using the direct selling strategy? **07**

OR

Q.4 (a) Discuss the advantages of foreign direct investment and Collaborative Strategies in international business **07**

Q.4 (b) Enumerate all the challenges encountered by global human resource division operating in a cross border business environment. **07**

Q.5 (a) Describe the key factors that determine the success of a global manufacturing strategy. **07**

(b) Discuss major objectives and achievements of World Trade Organization (WTO). **07**

OR

Q.5 (a) Case study: Who will be the Master of Planet Retail?

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Sam Walton began Walmart, the world's largest retailer, in 1962. Headquartered in Bentonville, Arkansas. Walmart was built on the policies of "everyday low prices" and a 100 percent customer satisfaction guarantee. Walton provided the lowest prices, on average, among American retailers, and directed the organization to achieve superior customer satisfaction. He had previously worked for the JC Penny Company and it has been reported that Mr. Penny once told Sam that he did not have a future in retailing. Walton's views on retailing were iconoclastic and industry- defining in the United States.

With over 3,00 stores in the United States, Walmart has begun an aggressive expansion into the international marketplace. Walmart has over 1,500 stores in Canada, Mexico, The UK, Germany, South Korea, China, Brazil and Argentina. It also operates a small number of stores in few other countries through joint ventures. Walmart's recent entry into the European market (primarily through acquisition) has caused anxiety, and in some cases panic, among European retailers. Walmart has larger sales than its major competitors Carrefour, Metro AG, and Ahold combined. Approximately 80 percent of Walmart's stores are in the United States.

Carrefour, the second- largest retailer in the world, was started in France when two brothers, Jacques and Denis Deforey, who were in the grocery business, partnered with Marcel Fournier, who owned a department store. Known for its extreme attention to the detail and the ability to cater to local tastes, Carrefour established itself as the major retailer in Europe. Carrefour now has over 6,000 stores in Europe, South America and Asia, and is planning expansions into the Caribbean, Africa and Middle East. Carrefour attempts to localize its operations as much as possible and uses few expatriates. Approximately 80 percent of store sales come from outside its home country, France.

Carrefour's global strategy involves careful study of local markets and careful attention to local customs. For example, in China Carrefour cuts its vegetables vertically, not horizontally, to avoid an image of bad luck among its Chinese customers. Carrefour has been a pioneer in the concept of "store clustering" internationally, altering its product mix, store facilities, and prices to suit different economic regions. Carrefour is the largest foreign retailer in China and sees the Asian market as critical to its continued success. Carrefour has 226 stores in Asia, compared to Walmart's 59 stores. One-quarter of Carrefour's new store growth comes from the Asian market.

Walmart is a much stronger company financially and it has deep pockets for international expansion. Its everyday low price concept has been a very viable strategy, and Walmart pioneered creative and successful approaches to supplier management and technology integration. In the United States, Walmart has huge scale economies and excellent logistical operations. In the terms of domestic operations, Walmart has a very impressive 22% return on share holder equity.

Internationally, Walmart has experienced less success. International sales account for only about 20% of Walmart's total revenue and its return on assets for international operations has been considerably lower than for its domestic operations. In Europe, Walmart faces strong unions, increased regularities constraints and week scale economies. The ability to export its everyday low price concept to Europe is being challenged, especially in Germany. The everyday low price concept has also not been effective in Japan, where Walmart operates a joint venture with Seiyu. Many Japanese associate low prices with lower-quality goods.

The World's largest retailer hopes to match its domestic success internationally, and many analysts believe it has the financial and managerial ability to do so. On the other hand, Walmart lacks the international experience of Carrefour and is a late comer in many markets where Carrefour is established.

Questions:

1. Which international strategies does Walmart follow? Which international strategy does Carrefour follow? Which do you feel is a better strategy for global expansion?
2. Can Walmart learn anything from Carrefour? Can Carrefour learn anything from Walmart's success? Explain.
3. Which retailer, in your opinion, will win the battle for global leadership?
