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Reg. No.________________ Name:________________

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY

FOURTH TRIMESTER MBA DEGREE EXAMINATION OCTOBER 2017

41 INTERNATIONAL BUSINESS

Max. Marks: 60 Duration: 3 Hours

Part A

Answer all questions. Each question carries 2 marks

1. Mention two indicators of growth of international business
2. What do you mean by tariff and non tariff barriers?
3. Compare and contrast FDI and FPI
4. List any two market entry strategies in global business
5. Write a brief note on ASEAN

(5x2 marks = 10 marks)

Part B

Answer any 3 questions. Each question carries 10 marks

6. Explain the relevance of EPRG orientation in international business with suitable examples.
7. Give a brief account on the theories of foreign investment.
8. What are the objectives behind regional economic integration schemes? List out and explain five such schemes.
9. Elucidate the factors which influence international business decisions.
10. Write a detailed note on the foreign trade policy of India

(3x10 marks = 30 marks)

Part C

Compulsory question, the question carries 20 marks

11. Wal-Mart was the largest company in the world ranked by sales revenue in 2008 and by far the largest retailer. Its sales revenue of $379 billion was over three times the size of its closest rival in the retail sector, Carrefour of France. Wal-Mart opened its first store in Rogers, Arkansas in 1962 and by the end of the 1970s had 276 stores in the USA. By the mid-1980s the number of stores had increased to 882 and in 1990 Wal-Mart became the US retail market leader, but the company did not venture abroad until 1991. Its first international store was opened in Mexico. This was followed by expansion into Puerto Rico, Canada, Hong Kong, Argentina, and Brazil, mainly through acquisition or greenfield investment. Wal-Mart then entered China through a joint-venture in 1996, Germany through the acquisition of Wertkauf and South Korea through a joint-venture in 1998, followed by the acquisition of Interspar in Germany and Asda in the UK in 1999. Wal-Mart also has operations in some of the Central American countries and, in 2007, formed a joint-venture with Bharti Enterprises in India and increased its equity stake in Seiyu of Japan to 95 per cent, having acquired majority ownership of the company the previous year.

Wal-Mart has pioneered its own distinctive business methods. Many of its outlets are large discount stores offering a wide range of goods at low prices. It adopts a paternalistic management style towards its employees, describing them as ‘associates’, and prefers minimal involvement with trade unions. The company has extensive international sourcing arrangements in order to keep costs to a minimum. Its cost-control measures, large volume of sales, and streamlined business practices have helped to create a highly profitable business. However, like other multinational enterprises, Wal-Mart has had to adapt its strategies to the cultural, institutional, and competitive environment it faces in different countries. Sometimes this has meant using a joint-venture agreement rather than full FDI, especially when first entering an unfamiliar environment. At other times, the company has built new stores on a greenfield site or has acquired an existing established retailer.

The European retail sector is dominated by a number of strong national competitors and Germany is no exception. Wal-Mart entered the German market through its acquisition of Wertkauf and Interspar, allowing immediate access to the country's mature retail sector. In addition to the established market leader, Metro, the German market includes successful discounters such as Aldi and Lidl. Germany also has a distinctive institutional environment with a highly regulated labour market and strong trade unions. In one instance, Wal-Mart met opposition when trying to introduce a new ethics code for its staff, as the code was seen as overly restrictive by its German employees. Wal-Mart's paternalistic management style also sat uneasily with Germany's system of *Mitbestimmung* – involving the participation of trade unions in company decision making. Whilst Wal-Mart was able to use its vast resources and global scale to source low-cost supplies from China and other parts of the world, these strengths offered little advantage when it came to supplying German beer, Bratwurst and the many specialized European brands that German consumers demand. This experience led Wal-Mart to sell its German operations to Metro in 2006.

Wal-Mart's UK acquisition, Asda, sat more easily with the company's business model. Although the British retail market is also well established with a dominant player, Tesco, and other strong competitors, the institutional environment is closer to that of the United States and Asda had been modelling its business practices on those of Wal-Mart even before the take-over in 1999. Wal-Mart's position in the UK market, as number two to Tesco, is clearly different from its leadership role in the US market, but Wal-Mart has nevertheless consolidated its position as a leading discounter in the UK market.

These experiences illustrate the significant differences between the cultural and institutional environments in different countries and the way in which Wal-Mart has responded to these differences. In particular, the case study provides an insight into the pattern of internationalization of one of the world's most successful companies and the extent to which its choice of country and mode of entry has been influenced by the company's organizational structure and strategy.

Case Study Questions

a. Why do think Wal-Mart did not venture abroad until 1991, despite its success in the USA?

b. How would you explain Wal-Mart's choice of countries during the early stages of its international expansion in the 1990s?

c. On what grounds do you think Wal-Mart chooses between acquisitions, Greenfield investments, and joint-ventures when entering a foreign market?

d. What are the major benefits obtained by Walmart as a result of global business?

(4X5=20 marks)