**UNIVERSITY OF PETROLEUM & ENERGY STUDIES**
**DEHRADUN**
**End Semester Examination –April, 2017**

**Name of the Program: MBA International Business** **Semester – IV**
**Subject Name: International Business Strategy** **Max. Marks : 100**
**Subject Code : MBCG 801** **Duration : 3 Hrs**

## Section A

**Attempt both the part. Each carries 10 marks.**

**I. Choose the correct answer with reasons (1X 10 =10 Marks)**

1. Born global firms...
   a) Have multinational sales of at least 25% within the first three years of existence.
   b) Take an international perspective from inception.
   c) Tend to be found in technologically based, knowledge-intensive industries.
   d) All of the above.

2. To determine a country's attractiveness to business requires:
   a) A detailed analysis of elements in the macro-environment.
   b) An assessment of the political and financial risks of doing business in that country.
   c) An analysis of the competitive environment.
   d) All of the options given.

3. Critics of competitiveness indices argue that:
   a) They often fail to include a nation's unique characteristics.
   b) They are a good guide to government policy.
   c) They are pointless as it is companies who compete not countries.
   d) All of the above.

4. A government wishing to attract business from overseas would NOT introduce:
   a) Investment grants
   b) Credit guarantees
   c) Subsidies to home-based producers
   d) Reduced corporation tax

5. Which of the following is not a type of global structure of companies?
   a) global function
   b) international division
   c) global product
   d) global area

6. Which of the following is not an acquisition of Ranbaxy?
   a) Ohm Labs
   b) Emithed NV
   c) Be-Tabs Pharmaceuticals
   d) Taro Pharma

7. The process of importing goods and services for the purpose of re-export is known as —
   a) countertrade
   b) export
   c) entrepôt trade
   d) leasing

8. A reciprocal licensing agreement in which intangible property is transferred between two parties is known as a(n) —
   a) transfer of license
   b) non-exclusive license
   c) exclusive license
   d) cross license

9. The OLI theory is also known as —
   a) the strategic linkage theory
   b) the transaction cost approach
   c) perfect market hypothesis
   d) the eclectic paradigm

10. is a practice by which subsidiaries of affiliates within the TNC network settle inter-subsidiary debts for the net amount owed during the post-transaction period.
   a) pooling
   b) matching
   c) lagging
   d) netting

**II. Examine the veracity of the statement (True or False) with reasons (1X10=10)**

1. Crony capitalism refers to the common practice of government agencies favoring businesses with close ties to high-ranking government officials.
2. According to the BOP accounting system, capital inflows are considered debits.
3. When the value of the US dollar increases in the foreign exchange market, firms find it easier to export their goods.
4. Free trade implies that the national government exerts no influence on the importing or exporting decisions of its international firms.
5. A countervailing duty is an ad valorem tariff on imported goods that is imposed by the importing country.
6. A multidomestic corporation is a collection of independent operating subsidiaries, each focusing on a specific domestic market.

7. By broadening their product lines in other countries, international companies may be able to achieve economies of scope.
8. Where standardization focuses on the cost side of the profit equation, customization focuses on the revenue side.
9. When transaction costs are low, companies may rely on a joint venture as an entry mode into a foreign market.
10. Multiple host country production facilities can protect an international firm against exchange rate fluctuations.

## Section B

**Write short notes on any four (5X4=20 marks)**

1. Standardization Vs local adaptation
2. Dynamic Swapping
3. Parameters of GCI Index
4. Double Dock door Vs Single Dock door
5. Agile Manufacturing and GSC

## Section C

**Case Study Analysis carries 60 marks.**
**(10 X 6 = 60 marks)**

INTRODUCTION

Angelo Bella had every reason to celebrate as he relaxed at a fine restaurant, sipping from a glass of Reserve Cabaret Sauvignon, courtesy of his company expense account. He had started the morning with a long run to prepare him for a presentation to senior management about a new dental film scanner that had been months in planning. Running was his way to relax, give himself time to collect his thoughts and prepare for the barrage of questions common to these meetings. The afternoon meeting was a huge success as Bella and his original equipment manufacturer (OEM) partner, BT Wang, demonstrated a working prototype of a low-cost film scanner. With management approval to move forward, what Bella had been pushing for was now a reality. So even as he enjoyed the dry cabaret, he struggled to keep his mind from racing about all the activities required to actually develop and launch in a mere nine months a saleable dental film scanner he had fought so hard for — code named Bart. He thought about that saying, "Be careful what you wish for."

Georginelli Dental Research (GDR) was starting to see digital advances in dental imaging take share away from its bread-and-butter film. This trend was most evident in teaching institutions, where the ease of using digital images in PowerPoint presentations was taking over the old school slide projector for research and instruction. GDR knew that eventually digital imaging could be a huge threat to the overall profits of the corporation. The project team named the scanner Bart for the precocious son in The Simpsons and his rebellious nature and zest for life. Team members would be allowed to take a unique approach to developing a new scanner — going outside the confines of the company. Could this group somehow develop a low-cost scanner that could provide a bridge to digital and keep the very profitable film portfolio viable?

A major challenge for the Bart project was previous failed attempts by other teams at GDR to develop a low-cost but profitable dental film scanner. Many of Bella's managers had been part

of these past train wrecks. Or they had been observing in peripheral departments and just did not believe the internal cost structure of GDR was conducive to designing anything inexpensive. Shaking the "Etch A Sketch" of Bella's manager's brain to erase these painful memories was going be another road block for the project team.

Regardless, as project manager, Bella was now on the clock to commercialize his scanner in nine months, working with an overseas partner, and launch the product at the dental industry's most prominent trade show — the Chicago Midwinter Dental Show, the best trade show for introducing new products. The launch of Bart was to coincide with the introduction of a new line of dental films and was intended to allow GDR to generate needed cash that could be used for future digital products. Designing and launching a scanner in less than a year was going to be a far greater challenge than creating a single prototype. Additional pressure was also on the Bart team, given the dental film launch. As the day ended, Bella asked himself, "How can the Bart team meet time-to-market and cost goals, and prove to management that it could succeed where the others failed?"

GDR IMAGING

GDR designed, manufactured and sold leading-edge dental products for use in dental offices and education and research institutes. It was one of numerous small companies in the dental industry fighting for customers against giants like Kodak (now Carestream Health), Agfa and Fuji. GDR placed much of its marketing emphasis on education and research. It was able to move into dental offices due largely to the loyalty former dental students had towards the company and its products. Many of the research-related sales led to customer suggestions that GDR adopted to continually improve its products to stay competitive.

The company wanted to continue to use profits from film sales to fund ongoing digital research and development (R&D), but feared market dynamics might not allow adequate time to transition. Being able to sell a low-cost scanner that could bridge both the analog and digital worlds was a strategic play to gain more time to launch new digital products. As much as the company wanted to invest money in scanners, there was a corporate edict to manage for cash — to gently land the film plane while the digital one readied for take-off. With the uncertain market window regarding customers' continued reliance on film, any scanner had to get to market in less than a year and work flawlessly out of the box. A poorly designed and built scanner would only accelerate customers' move towards digital products.

PRODUCTS

The founder of GDR, Julie Georginelli, had been a dental student at Cornell University. Her research in dental imaging led to the company's first film product. She graduated with honors from Cornell and within three months had venture capital to start GDR. Through her reputation as an up-and-coming dental imaging researcher and her college connections, Georginelli quickly exploited the education and research markets with her patented film. GDR sold the majority of its products through dealers that called on dental customers. Eventually GDR expanded beyond film and developed processing equipment, light boxes, film dispensers, and scanners for dentists. Thanks to high-margin film products and Georginelli's vision, GDR constantly experimented with new imaging methods — both through partnerships with Cornell and thanks to its own highly skilled staff. Therefore, the images from GDR's film and scanner products provided far more critical detail than the competitors. As much as Georginelli enjoyed and succeeded in the role of CEO, it was not unusual for her to throw on a lab coat and work alongside the research team. She was as comfortable in the lab as in the boardroom.

ORGANIZATION

GDR was a global company with production facilities in the United States, Europe and China. All design was located in the United States, with marketing and sales dispersed geographically to support the international regions. As the company grew, its structure evolved from a small entrepreneurial business to a matrix organization. Even though the rapid expansion of the company required a more definitive organizational structure, including the implementation of "phases and gates," Georginelli tried to keep the entrepreneurial spirit alive. Her goal was to do everything possible to keep the company agile so new ideas could be rapidly commercialized and launched. This was a necessity given the likes of competitors Kodak and Fuji, who could afford to throw more time, money and people at product development. However, as the first signs of the pending demise of film started to appear, GDR managers lost some of their zeal and began to over-analyze programs. Scrutiny of programs was not an unusual behavior, but sometimes market windows were missed as leaders literally analyzed projects to death. What was once acompany with an abundance of energy became a slow-moving, cautious entity that held on dearly to dental film and anything nostalgic. The Bart team saw its project as an opportunity to get back to the way GDR was when Georginelli started the company — a group of people with a competitive spirit, clear heads and efficient, practical processes, where no challenge was impossible and satisfying the end customer was the only goal.

PRODUCT DEVELOPMENT

GDR's commercialization process was world-class, with five phases and gates. The first phase was product concept, followed by technical feasibility, product design and testing, production (product launch) and, last but not least, discontinuance. Each phase ended with a gate review, at which team members were required to provide project status with an updated business case and issues to the gate keepers. Approval from all gate keepers was needed before a project could continue to the next phase. In years past, most of GDR's projects made it through the commercialization process — even if some of them were dogs. However, with the current manage-for-cash strategy, "thumbs downs" on projects became a more common occurrence.

The concept phase required a marketing requirements document (MRD), business case, competitive assessment and input from all of the worldwide regions. Bella had provided all of these documents to management for a possible gate review, only to be rejected by his manager, Joseph Namath. As it happens, Namath had been part of one of the previous film scanner programs that was unceremoniously canceled when an Excel error of enormous proportions was uncovered. Even though the corrected spreadsheet yielded a positive net present value, the management team cut funding and shifted the dollars to one of the film programs. Namath was impressed with the work Bella and his team had done, such as leveraging some of the graphical user interface (GUI) design from his cancelled program. But he did not have the backbone to agree to a gate review. So Bart ended up stuck in limbo, with no sponsorship from management to proceed even through the first concept phase and attendant gate.

THE BIG IDEA

Being a stubborn sort, Bella did not take no for an answer. He enjoyed the challenge of doing what others said could not be done. So he met with his quasi-project team to figure out a way to move the program forward. The team wrestled with ideas to pass through the initial concept gate, but ended its first meeting with no tangible ideas. Bella walked back to his desk, frustrated by the lack of ideas, and decided to catch up on phone calls and email. There was no way he wanted to let Bart die. Plus he knew his colleagues in film were pushing for him to succeed. Scanners turned film into digital images and would help ease the inevitable transition to digital.

One phone call would change the whole direction of the program. It was a message from Lynn Tseng, who represented an OEM in Taiwan — Dental Imaging Systems (DIS) — that manufactured low-end scanners. Puzzled by Tseng's message, Bella called her back and they

made time to meet the following day. She wanted to know if there was an opportunity to work with GDR after reading a quote by Bella in a company press release. The conversation went well, with Bella thanking Tseng for her time and promising to get back to her if there was an opportunity to work together. The following day, Bella called another meeting with his team and talked at length about his meeting with Tseng. In parallel, he had invited Dwayne Turner from purchasing, who worked closely with international OEMs that had partnered with GDR to provide low-cost solutions for other business units. The team quickly realized that a partnership with a low-cost OEM could be the way to quickly launch a new dental film scanner and meet the extreme cost pressures of Bart. Since all of the specifications, with volumes and cost targets, had been prepared for a gate review, the team decided to have Turner use these for request for quotes (RFQs) with several OEMs in Taiwan, Japan and China. Many of these same companies had built scanners for GDR's competition, so their names and reputations were well-known except for DIS.

OEM SELECTION

Turner worked fast and had all RFQs out to OEMs within two weeks of the team meeting. GDR had very well-defined supplier selection criteria that included the items listed below:

- Previous experience with the supplier and positive past performance
- Sophistication of quality system (for example, ISO 9001:2000 certification)
- Ability to meet potential capacity requirements
- On-time delivery
- Financial stability
- Technical support
- Willingness to participate as a partner (developing optimized design)
- Total cost (material cost, inventory requirements, and incoming verification)
- Capabilities (skill level, training, education of workers)
- Track record for business improvement

Once OEMs provided quotes, financial reports would be obtained through Dun & Bradstreet or other publicly available statements. A visit by key members of the Bart team would assess the quality system, production capacity, capabilities and willingness of the OEM to partner with GDR. Within two weeks of sending out the RFQs, all OEMs expressed an interest in working with GDR. However, many requested a face-to-face meeting to better understand the specifications before finalizing their quotes. Given the magnitude of the task at hand and GDR's worldwide reputation for superior imaging, clarifying questions about Bart made sense for both GDR and the OEMs. Turner took the lead and arranged for Bella, the lead engineer and himself to visit each OEM to go over the specification and start the qualifying process. As part of the trip to the Far East, Bella arranged several visits to California dental dealers to share ideas about the Bart concept and gather feedback.

ON THE ROAD

The first stop of the journey landed the team in San Francisco on a whirlwind tour of dental dealers. The dealers were loyal to any company product that could generate revenue. Even with GDR's long-standing presence in the industry, as the saying goes, you're only as good as your last product. And GDR's dental scanner products were perceived as long in the tooth, even by those formerly loyal to the brand. Each dealer presented competing scanners, GDR's current product and a concept scanner from an unnamed company (Bart) to groups of dentists while the project team remained quiet on the sidelines. Many praised some of the competitive low-end scanners whose capabilities had long surpassed GDR's products. Much was made of GDR abandoning the scanner market it once dominated to low-cost competitors, which in turn hurt the company's film sales — something that made the team cringe. However, there was a very

positive reception to Bart, with many guessing that one of the low-cost companies had to be behind the concept. Most of what was discussed was not new, but a painful reminder of what the team already knew. Clearly, GDR had some work to do to gain back customers.

The next leg had the team traveling to the various OEMs to meet their counterparts and discuss in painstaking detail Bart's specifications, time-to-market goals and cost targets. These meetings were all very cordial, with days ending with the consumption of local cuisine and beverages. Bella enjoyed these meetings. During his morning runs he used some of the ideas raised during the meetings to come up with ways to further differentiate Bart. Of all the OEMs the team met, no one was more willing to partner with GDR than — you guessed it — Dental Imaging Systems, the one represented by Lynn Tseng.

DIS's president, BT Wang, and Bella hit it off as soon as they met. Unlike other OEMs that tried to talk GDR out of some of its exacting imaging specifications, BT agreed that DIS could meet them and still achieve the cost targets. BT's confidence in his engineering staff and company in general was a welcome change. In fact, very early on it seemed as if BT was not some distant OEM, but another member of the Bart team. Others from GDR had the same sense, but not as strongly as Bella. Bella felt that he could trust BT, a rare commodity in the business world.

RFQS

After the Bart team's excellent adventure, it was a waiting game as Turner and others anticipated which of the six OEMs would provide a quote for the product. Two weeks after the trip, two OEMs "no quoted" based on Bart's sales volume (which was much lower than they expected) and GDR's unwillingness to back down on its imaging specifications. Most OEMs promised quotes within four weeks, but Turner and Bella started to worry that no one might be willing to partner with GDR on Bart. That worry dissipated when DIS and three other OEMs sent in quotes. Each varied in terms of non-recurring engineering (NRE) charges, tooling cost, volume pricing and delivery. It was now up to the Bart team, with Turner's help, to put together a decision matrix based on these quotes and data collected from the trip. All of the above-mentioned supplier selection criteria were ranked from 1 (worst) to 5 (best) for each OEM. The most difficult part was going to be ranking financial stability for the competing OEMs. After tallying the scores, DIS and another OEM — Prime Imaging — were in a virtual tie. Major concerns centered on the finances of DIS and the true willingness of Prime Imaging to adhere to GDR's specification (based on footnotes on its quote regarding several imaging requirements). Bella and Turner followed up with both companies to get clarification. BT said he would quickly get his owner's commitment to support the Bart program. Prime Imaging questioned the reasons for the strict imaging requirements; Turner and Bella replied that they were the result of customer research. The conversation with Prime Imaging ended with the OEM requesting another week to revisit its quote to determine any additional NRE charges to meet project specifications.

LET'S ROLL

While the team waited for Prime Imaging to re-quote, Bella had another heart-to-heart talk with Namath to try to understand what else could be done to move the program forward. Namath was aware of the trip and selection work regarding OEM suppliers, but this whole process — even if successful in terms of time-to-market, features and cost — made him nervous. As much as he liked Bella's drive and creativity to partner with an OEM to get Bart to market, DIS was an unknown commodity. The time, distance and potential communication issues with DIS concerned Namath, because he knew how difficult it had been to manage the project when all the resources were under GDR's control — and the results were disastrous. How could a partnership between GDR and DIS be successful? Soon after, Bella received a call from BT, who wanted an update on the selection process. Bella mentioned that GDR was waiting for one more

quote in order to make a decision. When BT pressed for a firm decision date, Bella said that even if the quotes were in line with time-to-market and cost targets, the biggest challenge was convincing management to proceed. Bella educated BT on GDR's commercialization process, plus the fact that Bart was stuck in limbo between concept and technical feasibility phases and needed some magic to proceed. Towards the end of the conversation, Bella said if he could show management a working prototype — that is, something tangible — then maybe management would see that Bart could be a reality. BT wasted no time responding, saying that DIS could develop a prototype with the Bart interface by modifying one of its existing products and have it ready within three months — just in time for a regional trade show that was a precursor to the Chicago Midwinter Dental Show. BT said working with GDR was so important to enhancing DIS's reputation in the dental market that he would be willing to do this even if Bella's managers decided not to move forward with an OEM solution. Since Bella did not have the authority to approve BT's idea, he simply stated that taking the risk to build a prototype was solely BT's decision. Even though Bella could not verbalize his opinion, deep down he very much wanted to show his managers a working Bart film scanner.

TRADE SHOW

The three months were passing by rapidly. With the trade show right around the corner, Bella anxiously awaited word from BT about the Bart prototype. If BT was a man of his word (and Bella felt he had every reason to think so), a call or email would arrive soon. Bella not only had to convince Namath about Bart's viability, but also win the approval of a corporate gadfly and the skeptical head of engineering, two individuals Bella knew could convince Namath to fund the project. GDR had a series of backrooms at the trade show for customer or business meetings, and Bella wanted to set aside a time and date to demonstrate the prototype.

One week before the trade show, Bella's home phone rang. The caller was none other than BT. With his ever-jovial personality, he said the Bart prototype was working and asked what would be the best time to demonstrate the product for GDR's managers. Bella said he would arrange a time and date once his administrative assistant checked each of the managers' calendars. After hanging up the phone, Bella's daughter said, "You must like BT, because every time he calls you have a smile on your face." Bella thought about the growing, genuine friendship developing between him and BT, and his growing realization, and appreciation, of how much hard work BT had been putting into helping GDR.

"I do," he replied

Q1.Discuss specific challenges faced by corporations in their ability to utilize cross-functional teams in order to develop and launch new products across different cultures. What are the strategic alternatives available for designing products. Also identify factors and forces influencing the decision of product designing. (15)

Q2. Examine different parameters of Country risk for the company which is planning to enter different cultures. (10)

Q3 Comment on the permutation and combination of strategies available for the company. Advise the firm about the precautions they should have taken to avoid business failure loss. (10)

Q4.Using OLI model, discuss the possible outcome for the company. (10)

Q5.As project manager, what should Bella do now that Namath has given the approval to proceed with Bart? (5)

Q6. What types of roadblocks will Bella face and how can he overcome these to keep Bart on schedule? (10)