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Fourth Semester M.B.A. Degree Examination, October 2021

(CBCS – 2014-15 Scheme)

Management

Paper 4.1 — INTERNATIONAL BUSINESS DYNAMICS

Time : 3 Hours] *[Max. Marks : 70*

SECTION – A

Answer any **FIVE** questions, each carries **5** marks : **(5 × 5 = 25)**

1. Discuss the emergence of Globalization and state key drivers for global business operations in India.

2. Explain the policy framework for global E-business.

3. Differentiate between GATT and WTO.

4. Explain the comparative cost theory of international trade.

5. Explain the distribution pattern in international marketing.

6. Discuss the procedure of organizing international business.

7. What do you understand by Goal Congruence? Give examples and explain the problem of Goal congruence faced by multidivisional companies at different levels.

SECTION – B

Answer any **THREE** questions, each carries **10** marks : **(3 × 10 = 30)**

8. What is meant by "globalization of business"? What implications it has for problems if any, created by globalization of business?

9. MNCs are supposed to build considerable market power. How does it influence that host country? Elaborate your answer with examples.

10. What are the factors influences in expatriate selection?

11. Describe the steps in implementing e-commerce security.

SECTION – C

Compulsory Question : (1 × 15 = 15)

12. Case Study :

Gillette Targets Emerging Markets

As it entered the twenty-first century, Gillette faced a difficult choice. Should it continue targeting emerging markets or not? Its strategy to move aggressively into markets in the developing world and the former Soviet bloc had been hailed as a success only a few years before. Recent poor earnings, however, had management considering whether this choice had been a wise one.

The Boston-based firm was founded in 1895 and is still best known for its original products, razor and razor blades. By the end of the twentieth century, Gillette had grown into a global corporation that marketed, its product in 200 countries and employed 44,000 people worldwide. About 1.2 billion people use Gillette products every day. Its sales are about equally distributed among the United States (30 per cent), Western Europe (35 per cent), and the rest of the world (35 per cent).

As markets matured in developing countries, Gillette sought growth through product diversification, moving into lines such as home permanents, disposable lighters, ballpoint pens, and batteries. In the mid-1990s, Gillette targeted several key emerging markets for growth. Among them were Russia, China, India and Poland.

Russia was already a success story. Gillette had formed a Russian joint venture in St. Petersburg and within 3 years Russia had become Gillette's third-largest blade market.

Gillette's move into the Czech Republic had prospered as well and in 1995 Gillette bought Astra, a 10cal; privately-owned razor blade company. Astra gave Gillette expanded brand presence in the Czech market. Astra's relatively strong position in export markets in East Europe, Africa and Southeast Asia proved a boon to Gillette in those markets as well. Just as in other markets in the developing world, 70 per cent of East European blade consumers used the older, lower-tech double-edge blade. In more developed markets, consumers appreciated product innovation and the shaving market had moved to more high-tech systems such as Gillette's Sensor.

Then disaster struck. A financial crisis that began in Thailand quickly spread across Asia. Many wary investors responded by pulling money out of other emerging markets as well as depressing economies across the globe. Bad economies meant slower sales for Gillette, especially in Asia, Russia and Latin America. In Russia, wholesalers could not afford to buy Gillette products. Consequently, these products disappeared from retail stores and Gillette's Russian sales plummeted 80 per cent in a single month.

Gillette found it could not meet its projected annual profit growth of 15-20 per cent. The price of Gillette shares tumbled 36 per cent in 6 months. To save money, Gillette planned to close 14 factories and layoff 10 per cent of its workforce.

Despite its recent bad experience in developing countries and in the former Soviet bloc, Gillette was still moving ahead with plant expansion plans in Russia and Argentina that would total $64 million. Some even suggested that this was a good time to expand in the emerging markets by buying up smaller competitors that had been hurt even worse by the crises. Meanwhile, back in the developed world, another large global consumer products firm, Unilever, announced that it would be entering the razor market.

Questions :

(a) Why do companies such as Gillette target emerging markets? Do you agree with this strategy?

(b) What are the dangers to Gillette of targeting emerging markets?

(c) Why would local, privately-owned companies like Astra want to sell out to companies like Gillette? Why are such company's attractive acquisitions to multinational firms?

(d) What global strategy would you suggest for a company such as Gillette? Explain your choice.
