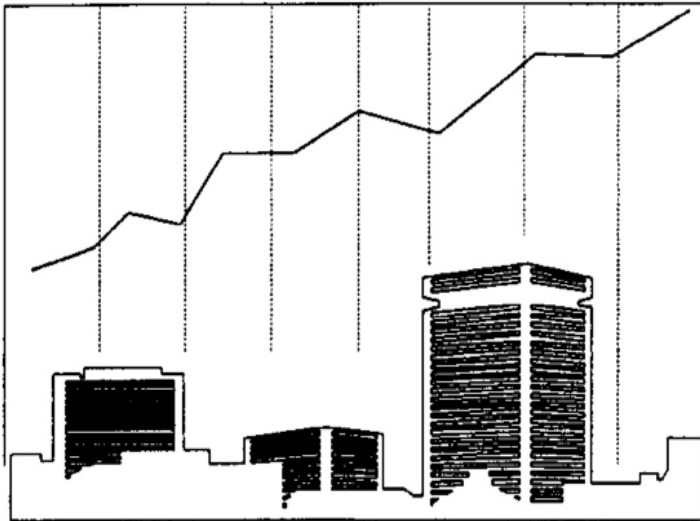


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BUSINESS MANAGEMENT

GLOBAL BUSINESS ENVIRONMENTS (MNI301J)

TUTORIAL LETTER 202 MNI301J/2009

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Dear Student

1 INTRODUCTION

This tutorial letter provides feedback on Assignment 02 as presented to you in tutorial letter 101/2009. You need to study the contents of this tutorial letter carefully because it will provide you with valuable insight and assist you with your examination preparation.

This is the second and final assignment for this module, and it consisted of 20 questions. These questions covered the final part of the designated chapters in the textbook on which the examination will be based, namely, chapters 8, 9, 13 and 14.

2 FEEDBACK ON ASSIGNMENT 02

Question 1: Which one of the following options is the market value of production that occurs within the national borders of a country, without regard to whether the factors of production are domestic or foreign?

Option 1 is the correct answer.

According to Hough and Neuland (2007:126), The Gross Domestic Product (GDP) is the total value of all final goods and services produced within the boundaries of a country in a particular period (usually, one accounting year). It is one of the indicators of a country's level of economic development and the extent of economic activity in the country.

Question 2: The concept of Purchasing Power Parity (PPP) has been introduced to measure the comparative wealth of countries, based on their respective Gross National Income. Of what particular importance is PPP as compared to other measures like the GDP, the GNP and the GNI?

Option 1 is the correct answer.

Purchasing Power Parity (PPP) is used to adjust the measures of per capita GNI and GDP in order to cater for the variations that occur in the costs of living in different countries (Hough and Neuland, 2007). In a nutshell, PPPs are currency conversion rates that both convert to a common currency and equalise the purchasing power of different currencies. This is done to eliminate the differences in price levels between countries in the process of currency conversion.

Question 3: It has been established that there is always a strong link between a nation's economic systems and its political ideology. How would you describe China's economy that combines democratic ideology, with a very strict economic regulatory framework?

Option 3 is the correct answer.

The economic system of any country can be broadly defined as the structure and processes that are used by the country to allocate its resources, and how it conducts its commercial activities (Hough and Neuland, 2007:121). As a result, an understanding of a national economic system requires a detailed analysis of the country's established mechanisms and institutions that regulate both the decision making process and its implementation. A market economy therefore, is a system in which the state apparatus facilitates an equitable distribution of commercial activities between the government and private investors.

Question 4: Which of the following is a consideration to realise potential benefits associated with investing or doing business abroad?

Option 1 is the correct answer.

The size of the host nation is one of the main determinants of the consumption patterns and the buying behaviour of the people in that economy, and therefore one of the influencing factors that determines the profitability of investing in a foreign country. Out of all the options given, the market size of the host country is the most correct in this regard.

Question 5: One of the main characteristics of a developing economy is:

Option 4 is the correct answer.

For operational and analytical purposes, the World Bank's main criterion for classifying economies is the Gross National Income (GNI) per capita. Based on its GNI per capita, every economy is classified as low income, middle income (subdivided into lower middle and upper middle), or high income. The groups are: low income (US \$935 or less); lower middle income (US \$936 - \$3,705); upper middle income (US \$3,706 - \$11,455); and high income (US \$11,456 or more). Low-income and middle-income economies are sometimes referred to as developing economies. These economies amongst other characteristics, enjoy rapidly developing financial markets (Hough and Neuland, 2007:131).

Question 6: When multinational enterprises (MNEs) emphasise the realisation of location and experience curve economies in the production and marketing of largely low cost, standardised products, they are said to follow:

Option 1 is the correct answer.

Multinational enterprises (MNEs) adopt the foreign operation strategy that best positions them in a comfortable competitive position. Hough and Neuland (2007:213) posit that the appropriateness of any or a combination of these strategies to an enterprise is informed by the intensity of the pressure for cost reduction and the consideration for local

responsiveness. Figure 9.3 on page 213 of Hough and Neuland indicates that low pressure for cost reduction and global integration of operations, coupled with low pressure for local responsiveness, precipitates an international strategy.

Question 7: A global mindset of an organisation is the ability of an enterprise to:

Option 4 is the correct answer.

The global mindset of an organisation is seen as the ability of the enterprise to accept diversity and heterogeneity as natural and as a source of competitive advantage, rather than tolerate it as a necessary evil. One of the best approaches to developing a global mindset is to understand, appreciate and tolerate the diversities of culture in international business operations, by developing an open mind that is capable of accommodating these dynamics. Giving cognisance to political and economic restructuring in international markets is also very essential in this regard (Hough and Neuland, 2007: 190-198).

Question 8: A strategic alliance is one of the strategies used by MNEs for entering foreign markets. Which one of the following is a motivation for adopting this strategic approach?

Option 4 is the correct answer.

A strategic alliance is a future-oriented contractual agreement between two or more independent firms in the same industry, in which each of the parties seeks to maximise self-gains by leveraging the strength of the alliance partners in mutually benefiting ways. The main motivation for engaging in a strategic alliance is to circumvent economic barriers that may prevent direct investment into the country, or which may raise the cost of operation in that country (Hough and Neuland, 2007:320).

Question 9: Which one of the following is an important factor to be considered when planning to form relationships or alliances with any business partner?

Option 2 is the correct answer.

It is essential to consider various factors when forming a strategic alliance with any business partner. According to Hough and Neuland (2007:324-325), the roles and rights of each partner should be clearly defined at the very beginning of the alliance formation, amongst other considerations. This will enable each partner to locate its roles and responsibilities, as well as the limit of rights and obligations. It is expected that this measure will eliminate confusion and a clash of interests that may ensue.

Question 10: Which one of the following market entry modes is characterised by the advantages of protection of technology, the ability to engage in global strategic coordination, and the ability to realise location and experience economies?

Option 4 is the correct answer.

Organisations choose the foreign market entry modes that best conform to their strategic intent. Having decided on the appropriate foreign market entry mode, it is equally important to decide on the market(s) to enter, the timing of the entry, the projected scale of entry and the method of entry (Hough and Neuland, 2007:215). Of all the available options, the wholly owned subsidiary is the only one that is characterised by the advantages of protection of technology, ability to engage in global strategic coordination, and the ability to realise location and experience economies.

Question 11: Which of the following is one of the key advantages of licensing as a mode of foreign market entry?

Option 1 is the correct answer.

In a licensing agreement, a licensor grants the rights to intangible property (license) to a licensee who operates similar business units,

under the circumstances that surrounds the contract. One of the main advantages of adopting licensing as a foreign market entry strategy is that the licensee bears all the risks and operational costs. The licensee also pays a license fee or royalty to the licensor.

Question 12: A competitive cost advantage could be attained for the international firm if international managers ensure that:

Option 1 is the correct answer.

A competitive advantage is achieved either when a firm is able to deliver the same kind of service as its competitors, but at a lower cost (cost advantage); or deliver benefits that exceed those of competing products (differentiation advantage). A cost advantage can thus be achieved only if a thorough analysis of potential foreign investments is conducted. This will enable managers to have a detailed understanding of costs and benefits associated with the foreign investments.

Question 13: The following are regarded as environmental risks EXCEPT:

Option 4 is the correct answer

Environmental risk is defined as the threat that events in the environment will adversely affect the firm's ability to implement its strategy and achieve its goals (Hough and Neuland, 2007:179). Being exogenous in nature, environmental risk is very difficult, if not totally impossible to predict thereby making adequate planning impossible. While three of the options provided are correct, unfair competition from host country public sector enterprises is unlikely to pose a threat to the planning and strategy of a multinational enterprise.

Question 14: Which one of the following alternatives is NOT appropriate for the transition of a country to a market economy?

Option 2 is the correct answer.

The process of transforming an economy from a command to a free market system calls for the government to obviate any form of

discriminatory policy, like incentivising any economic activity at the expense of competition. Government intervention is only required to the extent that it is needed to provide macroeconomic stability and to promote competition. The imposition of hard budget constraints as a prerequisite for a smooth transition is however, not necessary.

Question 15: In his research into the influence of national culture on international business involvement, Hofstede identified some cultural dimensions that generally account for perceived cultural differences. Which one of the following alternatives is NOT correct in this regard?

Option 4 is the correct answer.

Hofstede conducted one of the most influential studies on national culture and how culture relates to values in the workplace. His research identified five cultural dimensions namely power distance, individualism versus collectivism, uncertainty avoidance, masculinity versus femininity, and time orientation (Hough and Neuland, 2007: 94). Uncertainty acceptance is contrary to the researcher's thesis.

Question 16: One of the following is a potential benefit derivable from a joint venture arrangement:

Option 4 is the correct answer.

A joint venture involves establishing a firm that is jointly owned by two or more partners (Hough and Neuland, 2007:217). It usually takes the form of a permanent arrangement, considering the equity stake that is committed by each member. Generally, each person contributes assets and shares in the associated risks. Given that it is always difficult to coordinate diverse global operations, joint ventures are mostly formed by partners in related business to achieve operational synergy as they pool their complementary knowledge and expertise.

Question 17: Which one of the following is NOT a determinant of a successful strategic alliance?

Option 3 is the correct answer.

Hough and Neuland (2007:324) observe that a strategic alliance requires that the parties involved share common goals. It is also important to mutually benefit from the skills and knowledge that each party brings into the alliance. The risks and benefits that accrue from the alliance should also be shared amongst the parties. While three options are a precondition for a successful strategic alliance, the support of the alliance by junior management may not prove very essential.

Question 18: One of the threats of globalisation for Africa is the continent's inability to achieve sustainable development. Which of the following could account for this problem?

Option 3 is the correct answer.

Globalisation has been criticised by many as a process that exacerbates inequality, rather than ameliorating it. While some countries have realised sustained economic growth and development through the process of globalisation, a few others have been victims of its lopsidedness. Although a lot of factors may be responsible for Africa's inability to achieve sustainable development, there is a prima facie evidence that inefficient political and economic institutions that characterise the continent are the main cause of the continent's backwardness (Hough and Neuland, 2007:329).

Question 19: The Trade, Development, and Cooperation Agreement (TDCA) is an important bilateral trade agreement between South Africa and the European Union. Which of the following makes the agreement important to the SADC region?

Option 3 is the correct answer

The Trade, Development and Cooperation Agreement (TDCA) is a treaty concluded between the European Union and South Africa. The treaty consists of three areas of agreement:

- (1) it includes a free trade agreement between the EU and South Africa,
- (2) it includes development aid, and

- (3) it includes several areas of cooperation, such as economic and social areas.

While the principal beneficiary of the agreement is South Africa, the Southern African Development Community (SADC) can also benefit from the agreement if the manufacturing industries in the region seize the opportunity afforded by this agreement to export their manufactures to the EU countries.

Question 20: While some African countries have performed well over the past few years, there are others that have recorded disappointing economic results, or which have been undermined by political instability. How best can Africa achieve rapid economic growth?

Option 1 is the correct answer.

Despite the World Bank's forecast of a GDP growth of about 6 % for Africa in 2009, some of the countries on the continent will find it very difficult to achieve any meaningful economic growth over this period. This is mainly due to the dependence of many African countries on natural resources, whose values are very volatile. It has been observed that the continent can only realise a sustainable economic growth rate by encouraging the development of economically viable industrial sectors (Hough and Neuland, 2007:346).

3 CONCLUSION

It is essential to review the feedback in this tutorial letter and compare it with the answers that you supplied. Also, as part of your preparation for the examination, you are urged to incorporate the feedback provided in this tutorial letter into the material in your prescribed textbook and the study guide. The extent to which you are able to integrate these materials will assist you in preparation for the examination.

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