

Question 1

Which one of the following is NOT a factor influencing foreign investment?

- 1 Economic performance
- 2 Attitude to investors
- 3 Political stability
- 4 Labour unions
- 5 Cultural disparities between host countries

Option, 5. **Cultural disparities between host countries.** is the correct answer.

According to the textbook , the following are the factors influencing foreign investment. These factors include: political stability, economic performance, attitude to investors, government policy, infrastructure and labour issues. While government policy could be a deterrent to foreign investment, the same may not, necessarily, be said for government bureaucracy which refers to administrative inefficiencies, in the administration of government policy.

Question 2

Tariffs may be used by governments to generate revenue or to discourage the importation of certain goods. They generally ...

- 1 require less administration and supervision.
- 2 discourage special interest privileges.
- 3 weaken supply and demand patterns.
- 4, widen the choices available to consumers.
- 5 include all of the above

Option, 3. **weaken supply and demand patterns.**

Tariff barriers are created when governments put financial levies on the import of goods, either in the form of specific taxes or tariffs or as ad valorem tariffs

. Judging by their economic implications, tariffs generally distort the free flow of goods and services across international borders. Although the process enhances national income generation, consumers are deprived of the opportunity to access comparatively competitive products and services from international market. In essence, tariffs weaken the forces of demand and supply as the consumption pattern of people is dictated by a few products that are admissible into the local market.

Question 3

Which one of the following is NOT an issue to consider when adapting to conform to other value systems:

- 1 Structuring of the organisation
- 2 Use of teams
- 3 Interpersonal relations
- 4 Human resource practices
- 5 Labour relations

Option, 3. **Interpersonal relations.**

highlight the dangers of ignoring cultural differences when doing business with other countries, and emphasise the need to adapt to other value systems which warrants consideration of all the issues mentioned in this question except interpersonal relations.

Question 4

The following are reasons why command economies have stagnated, except

- 1 lack of creation of economic value.
- 2 lack of incentives for innovative and entrepreneurial behaviour.
- 3 lack of consumer needs satisfaction and improvement in overall quality of life.
- 4 lack of monopolistic interventions.
- 5 failure to measure up to the achievements of other economic systems.

Option 4. **lack of monopolistic interventions.**

Command economies are characterised by state-owned assets and central planning by the government. This type of economic system is consistent with the values of collectivism and the political ideology of totalitarianism. In essence, the principles of a command economy discourage entrepreneurship as the government monopolises all the production resources and their application.

Question 5

.. - 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.

- 1 Gross domestic product
- 2 Gross national product
- 3 Gross international product
- 4 Net domestic product
- 5 Net national product

Option, 1. **Gross domestic product.**

As a measure of economic activity Gross Domestic Product (GDP) 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. This definition confirms the correctness of option 1.

Question 6

The following are all very desirable benefits of the globalisation process, except:

- 1 Globalisation improves the overall competitiveness of nations.
- 2 Globalisation results in the more efficient utilisation of regional resources.
- 3 Globalisation increases the technological and economic development of countries.
- 4 Globalisation leads to lower prices for goods and services.
- 5 Globalisation increases consumer income .

Option, 2. Globalisation results in the more efficient utilisation of regional resources.

Hough , briefly allude to the phenomenon of "free trade" and its realisation through the process of globalisation which, they argue, eventually opens the door to markets; resulting in the more efficient utilisation of national resources, improved competitiveness of nations, increased technological and economic development of countries, lower prices for goods and services and rising consumer income. Contrary to these positive spin-offs are the negative implications of free trade which, inter alia, include the ability of foreign firms to infiltrate domestic markets, thereby reducing the authority and influence a government has over its domestic realm.

Hence the choice of option 2.

Question 7

Free Trade Agreements are engines of growth and progress because they

- 1 promote efficiency and competition outside the free trade area.
- 2 accommodate specialization and division of labour,
- 3 expand the size of the import market.
- 4 exploit company comparative advantages.

Option, 2. accommodate specialisation and division of labour.

Hough , in reviewing international trade theories confirm that free trade promotes a mutually profitable regional division of labour and, by implication, the benefits to be derived from specialisation. Their reasoning confirms the correctness of option 2.

Question 8

" in contrast to values – prescribe/s behaviour which tells people of a specific group what they can and cannot do.

- 1 Beliefs
- 2 Attitudes
- 3 Norms
- 4 Culture

Option, 4. **Culture**.is the correct option.

Because culture is viewed as a system of values and norms that are shared among a group of people and that when taken together constitute a design for living it has the potential to prescribe appropriate behaviour in particular situations. It can, therefore, suggest what people in a specific group can and cannot do.

Question 9

Which one of the following conditions is NOT necessary for the proper and smooth functioning of a market economy?

- 1 Price flexibility
- 2 Consumer sovereignty.
- 3 Free enterprise
- 4 Competitiveness

Option, 2. **Consumer sovereignty**.is the correct answer.

A market economy is an economic system in which economic decisions and the pricing of goods and services are guided solely by the combined interactions of a country's citizens and businesses, with little government intervention, if it exists at all. Market economies work on the assumption that market forces, such as supply and demand, are the best determinants of the quality and pricing of goods and services in the economy. The practical application of this economic system requires price flexibility, entrepreneurial spirit and competitiveness.

Question 10

In general. transition to a market economy implies all of the following, except

- 1 liberalising economic activity. prices, and market operations, along with reallocating resources to their most efficient use.
- 2 imposing soft budget constraints, which provide incentives to improve efficiency.
- 3 developing indirect, market-oriented instruments for macro-economic stabilization.
- 4 achieving effective enterprise management and economic efficiency, usually through privatisation.
- 5 establishing an institutional and legal framework to secure property rights. the rule of law, and transparent market entry regulations.

Option, 2. imposing soft budget constraints, which provide incentives to improve efficiency.

Hough , in summarising the implications of a transition to a market economy highlight all the distractors in Question 10 with the exception of alternative 2 which is specifically excluded in that it contradicts the transition to a market economy.

Question 11

Participation in decision making. the use of opinion leaders and proper timing are

- 1 characteristics of managers in a high-context culture.
- 2 distinguishing characteristics of Western business practices.
- 3 suggestions for overcoming reverse•culture shock.
- 4 factors for firms to consider when deciding how to institute change.

Option 2. distinguishing characteristics of Western business practices.

Modern Western (Euro-centric) business practices are characterised by cultures which favour the sharing of decision-making authority. Hough , confirm that Euro-centric cultural traits emphasise sharing and participative decision-making, based on collective values which extol the contributions of "opinion leaders" and the virtues of "proper timing". This is in keeping with the decentralisation of power and the democratisation of the strategymaking process by involving a rich mixture of different people from inside and outside the organisation.

Question 12

Contemporary democratic political systems share all of the following except:

- 1 freedom of opinion, expression, press, 'and freedom to organize.
- 2 elections in which voters decide who is to represent them.
- 3 unlimited terms for elected officials.
- 4 an independent. fair court system with high regard for individual rights and property.
- 5 a nonpolitical bureaucracy and defence infrastructure.

Option, 3. **unlimited terms for elected officials.**

One of the characteristics of contemporary democratic political systems is epitomised by "representivity" which implies that if an elected representative fails to perform the job of representing his/her constituency adequately this person will be voted down at the next election. This flies in the face of alternative 3 which suggests unlimited terms for elected officials.

Question 13

The governments of countries with a ... influence economic activity by means of incentives and special concession to certain industries.

- 1 command economy
- 2 market economy
- 3 state directed economy
- 4 mixed economy

Option, 4. **mixed economy.**

A "mixed economy" is an economic system in which land, productive facilities, and other economic resources are more equitably distributed between private and government ownership, in comparison to a command economy. Consequently governments of countries with mixed economies do tend to influence economic activity by means of incentives and special concessions to certain industries.

Question 14

Some of the abilities and characteristics needed by the global manager in order to function in flexible organisations includes the following, except:

- 1 the ability to identify diverse employee behaviours for ongoing renewal of the Organisation
- 2 high tolerance for ambiguity, new levels of creativity and inventiveness in organizational design
- 3 the ability to learn to be responsive and become more efficient
- 4 the ability to coordinate complicated financial, human resource. marketing and manufacturing interdependencies

5 the ability to recognise different manufacturing, marketing and organisational problems and priorities across different locations and accommodate these with new structures and processes

Option, 1. the ability to identify diverse employee behaviours for ongoing renewal of the organisation.

A perusal of the competencies and characteristics of global managers as set out by Hough, strongly suggests that all the abilities and characteristics itemised in alternatives 2, 3, 4 and 5 apply with the exception of alternative 1. This is because alternative 1 focuses on diverse employee behaviours and not on the "ability to identify diverse managerial behaviours".

Question 15

Which one of the following is NOT a key issue and an environmental force with a direct impact on a company's understanding of the international business environment?

- 1 The changing nature of the international business environment including macro demographic shifts and ever growing urbanization.
- 2 Trade liberation, deregulation and privatization.
- 3 The need to continuously scan the market environment and systematically search for business opportunities.
- 4 The emergence of the EU as an economic force, and the euro as a currency of note.
- 5 An increasing consolidation of business through mergers and acquisitions.

Option, 3. The need to continuously scan the market environment and systematically search for business opportunities.

A company's understanding of its international business environment is determined by a number of key issues and environmental forces, with the exception of the activities mentioned in alternative 3, which refer to methodology rather than substance, when it comes to understanding the characteristics of the international business environment. Hough, confirm this in their survey of worldwide trends influencing international business.

Question 16

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

- 1 an international strategy.
- 2 a global strategy.
- 3 a multidomestic strategy.
- 4 a transnational strategy.

Option, 2. a global strategy.

Multinational enterprises that pursue a global standardisation strategy focus on increasing profitability and profit growth by reaping the cost reduction that comes from economies of scale, learning effects and location economies; that is, their strategic goal is to pursue a low-cost strategy on a global scale. This type of strategy confirms the correctness of alternative 2.

Question 17

Islam basically supports capitalism, but places relatively more emphasis on an individual's obligations to society. Which one does NOT support this statement?

- 1 All Muslims are expected to act justly, charitably and humbly in business.
- 2 Islam stresses the importance of honouring contractual agreements and obligations.
- 3 Islamic nations exert strong political pressure to preserve religious traditions.
- 4 The wealthy and successful have no obligation to help the disadvantaged.
- 5 Women have to dress in certain ways and be subordinated to men.

Option, 4. The wealthy and successful have no obligation to help the disadvantaged.

Among the many economic and business implications flowing from the practise of Islam is the requirement that the wealthy and successful have an obligation to help the disadvantaged. This clearly contradicts the statement in alternative 4. Hence the correctness of this alternative.

Question 18

Which one of the following changing paradigms for e-commerce is NOT correct?

- 1 E-speed - the speed of blur.
- 2 Logistics and instant performance.
- 3 "The lock-out" effect.
- 4 Online communities and e-relationship.
- 5 The blurring of size.

Option, 3. **The lock-out effect.** is the correct option.

One of the changing paradigms for e-commerce relates to integration, especially in an international context. While this can lead to cost reductions and speed up operations, and attenuate the risk for all involved, if the need for strategic change becomes imperative, organisations may find it difficult to "unlock" themselves from such an integrated e-commerce system. Hence the choice of option

Question 19

Which one of the following is a strategic leadership practice for the future?

- 1 Guide people's creativity.
- 2 Seek to acquire knowledge.
- 3 Focus on outcomes.
- 4 View organizational citizens as a critical resource.
- 5 React to environmental change .

Option, 4. **View organisational citizens as a critical resource.** is the correct option.

Hough , tabulate what they consider to be the strategic leadership practices for the future. In doing so they highlight the leadership trait of "viewing organisational citizens as a critical resource" emphasising its importance as one of the practices needed for the 21st century.

Question 20

The following determine successful international strategic alliances, except

- 1 corporate cultures
- 2 commensurate risk
- 3 complementary skills
- 4 compatible goals

Option, 1, corporate cultures.

Hough and Neuland, observe that a strategic alliance requires 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.

October/November 2007

SECTIONS B

Answer ANY TWO of the three questions listed below. You must do any two of the three questions. Do not answer all three questions.

Each question is worth 25 marks.

The total for this section is 50 marks.

QUESTION B1

1.1 Discuss the role of International management and leadership with specific reference to:

- (a) The definition of international management. (4)

(a)

International management: process of accomplishing the global objectives of a firm by effectively co-ordinating the procurement, allocation and utilisation of the human, intellectual, physical and financial resources of the firm within and across national boundaries, and charting the path towards the organisational goals by navigating through the dynamic, hostile global environment. (pg 175 textbook)

- (b) The contrast between international management and international leadership. (4)

(b)

International management: the performance of the management functions of planning, organising, leading and controlling across national borders.

International leadership: the ability to inspire and influence the thinking, attitudes and behaviour of people on a global scale.

- Leaders help shape the organisation's vision.
- Managers act completely within a vision.

(pg 175 textbook)

(c) The distinction between "multi-domestic" and "global" firms and the implications this holds for international management? . (4)

(c)

Multi-domestic firms:

Follow a multi-domestic strategy that focuses on local responsiveness in foreign markets.

Create value by transferring core competencies.

From home to foreign business units.

Towards a balance between globalisation and local responsiveness.

Global firms:

Follow global strategies that emphasise the realisation of location and experience curve economies in the production & marketing of largely low-cost, standardised products.

(pg 176 textbook)

1.2 List and discuss the key issues and environmental forces that have a direct impact on a company's understanding of the international business environment. (8)

1.2

Changing consumer behaviour, reflecting increasing demands for value.

Trade liberalisation, deregulation and privatisation.

Exploding biological, information and communication technologies.

The emergence of the EU as an economic force, and the euro as a currency of note.

Changing political systems e.g. fall of communism in Eastern Europe.

Increasing economic integration and the formation of viable trade blocs.

Management becoming increasingly globalised.

Unacceptable levels of corruption and social disorder worldwide.

(Pg 99 SG)

1.3 Contrast and discuss the internal and environmental risks peculiar to international business. (5)

[25]

1.3

Internal risks:

Organisations try to protect themselves from fraud and incompetence.

Environmental risks:

Import and export controls.

Bad payments.

Interference with operations.

Legal disputes.

Unfair competition from the local public sector.

(pg 178 textbook)

QUESTION B2

NB to learn for May 2011 exam

Deciding on the most appropriate "Strategic alliance" for value creation by expanding activities internationally requires the following considerations, which are not always relevant to purely domestic business firms:

- Deciding on the type of foreign market "entry mode" through which to forge an appropriate strategic alliance;
- Evaluating the importance of strategic alliances for South Africa.

In the light of these constraints you are required to:

2.1 Tabulate the advantages and disadvantages of the various "entry modes". [List the entry modes and their corresponding advantages and disadvantages as you present your answer]. (12)

Q: Tabulate the advantages and disadvantages of the various "entry modes". (12)

Entry mode	Advantage	Disadvantage
Exporting	<ul style="list-style-type: none"> • Realise location and experience curve economies. 	<ul style="list-style-type: none"> • High transport costs. • Trade barriers. • Problems with local marketing agents.
Turnkey contracts "Allow firms to export their know-how to countries that may restrict FDI."	<ul style="list-style-type: none"> • Ability to earn returns from process technology skills in countries where FDI is restricted. 	<ul style="list-style-type: none"> • Creating efficient competitors. • Lack of long-term market presence.
Licensing "Licensor grants a right to the licensee".	<ul style="list-style-type: none"> • Low development costs & risks. 	<ul style="list-style-type: none"> • Lack of control over technology. • Inability to realise location and experience curve economies. • Inability to engage in global strategic coordination.
Franchising	<ul style="list-style-type: none"> • Low development costs & risks. 	<ul style="list-style-type: none"> • Lack of control over quality. • Inability to engage in global strategic coordination.
Joint ventures "Establishing a firm that is jointly owned by 2+ partners." (Strategic alliances are based on collaborative agreements).	<ul style="list-style-type: none"> • Sharing development costs & risks. • Access to partner's knowledge. • Politically acceptable. 	<ul style="list-style-type: none"> • Lack of control over technology. • Inability to engage in global strategic coordination. • Inability to realise location and experience curve economies.
Wholly-owned subsidiaries	<ul style="list-style-type: none"> • Protection of technology. • Ability to engage in global strategic coordination. • Ability to realise location and experience curve economies. 	<ul style="list-style-type: none"> • High costs & risks.

(From discussion class notes)

Note for May 2011 exam: Exam tips: Elaborate more on above, it was pointed out to be very important, but he said do not only give me the table!!

2.2 Present and discuss the factors to consider when forming strategic alliances. (5)

2.2 NB for May 2011 exam

Q: Present and discuss the factors to consider when forming strategic alliances. (5)

- Choose partners carefully.
- Roles & rights of each partner must be clearly defined.
- Senior management must actively participate in each relationship.
- Relationships must be open.
- Every aspect of relationships should be streamlined and accelerated.

(pg 324 textbook)

2.3 Cite and discuss the motivations for entering into strategic alliances. (8)

NB May 2011

[25]

2.3

Q: Cite and discuss the motivations for entering into strategic alliances. (8)

- Acquiring a means of distribution and pre-empting competitors.
- Gaining access to new technology.
- Obtaining economies of scale.
- Overcoming legal/regulatory barriers
- ---space---
- Seeking out new markets to grow sales & profits
- Access natural resource deposits in other countries.
- Do business in a more politically-stable environment.
- Learn new skills from competitors.

(pg 323 textbook)

QUESTION B3

3.1 Briefly discuss Porter's theory of national competitive advantage (Porter's Diamond), and explain the implications and benefits of his theory for the management of an international firm in deciding where to locate the firm's foreign

productive facilities. (10)

3.1

Q: Briefly discuss Porter's theory of national competitive advantage (Porter's Diamond), and explain the implications and benefits of his theory for the management of an international firm in deciding where to locate the firm's foreign productive facilities. (10)

National competitive advantage is determined by four attributes in the domestic environment in which organisations compete:

- **Factor conditions:** relates to a nation's position in production factors such as skilled labour and developed infrastructure.
 - Basic factors:
 - Basic skills in the workforce.
 - Natural resources.
 - Climatic conditions.
 - Advanced factors:
 - High-level skills.
 - Infrastructure.
 - Advanced technologies.
- **Demand conditions:** relates to the degree of health & competition a firm must face in its local market.
 - National competitive advantage is strengthened by strong local demand & sophistication of demand.
- **Related and supporting industries:** relates to the presence of supplier & related industries that is locally & globally competitive.
 - Suppliers located near producers can supply goods at lower costs.
- **Organisation strategy, structure & rivalry:** relates to the conditions in the home industry that hinder or help the firm's ability to manage the nature of domestic & international rivalry.
 - Nations do well in those industries characterised by intense rivalry.

Porter maintains that these four attributes need to be positive and support each other to provide the ideal business climate for the internationalisation of organisations.

(pg 22 textbook)

3.2 Q: Briefly describe the following means of regulating "free trade" (8)

: NB Question for May 2011

- (a) Tariff barriers
- (b) Non-tariff barriers

(a) Tariff barriers: IS when the government puts financial levies on the importation of goods – taxes or duties.

Types of tariffs:

- **Ad valorem duties:** payable on the value of goods.

- **Specific duties (sin tax):** payable on the volume of goods (in addition to normal customs duties).
- **Environmental levies**
- **Fuel and ordinary levies**

(b)

Nontariff barriers: more effective in restricting trade and usually result from economic policies that try to protect sectors competing with imports.

Types of non-tariff barriers:

- **Import license:** products only allowed to be imported if they acquire the necessary import licence.
- **Quotas:** limits the quantity of a certain category of good that may enter the country.
- **Product standards (quality and health):** Government could specify certain standards for imported goods, mainly in respect of edible products.
- **Import deliberate bureaucracy**
- **Prohibitive goods:** government stops certain products from being imported. These products are usually of a military nature and can potentially cause harm.
- **Embargoes and sanctions:** government can make sure that certain products aren't imported.
- **Special import restrictions:** certain goods may be restricted due to the nature of the goods, e.g. second hand goods.
- **Local contents**

3.3 Explain the concept "dumping" and what is meant by "anti-dumping" policies. Are these concepts relevant to developing countries? (7)

[25)

TOTAL (SECTION B): [50]

3.3 Q: Explain the concept "dumping" and what is meant by "anti-dumping" policies. Are these concepts relevant to developing countries? (7)

- **"Dumping"** means that a product is sold at a lower price in an overseas country than it's sold in the country of origin.
- If these products are causing material injury to the domestic manufacturer, they can apply to their trade remedies authority for the initiation of an anti-dumping investigation.
- If favourable, it will result in the imposition of an anti-dumping duty.
- Anti-dumping is termed an "unfair trade remedy".

These concepts are very relevant to developing countries: most notable is the textile industry in South Africa. Chinese textile imports began to flood the South African market, and these textiles were cheaper than the South African equivalent. The textile industry in SA then started to crumble as a result.

Another example: the EU imposed an antidumping duty imposed on Chinese plywood imports, so as to protect the European producers. (pg 31 textbook)