

Southeast University

School of Business Studies, MBA Friday Program

Mid-Term Examination, Semester: Spring 2017

Course Code 5189, Title: International Business Section : _____ Full Marks : 30

Name: _____ ID. No. _____

Instructions:

- Answer all parts of each question consecutively.
- Write your name and ID in the question paper and return it with the answer script
- Examinees are not allowed to carry any mobile phone in the exam hall.

Short Questions

[There are six questions answer any four] 3X 4 = 12

1. Define Globalization. Provide example.

Answer: The broadening set of interdependent relationships among people from different parts of a world that happens to be divided into nations. The term sometimes refers to the integration of world economies through the reduction of barriers to the movement of trade, capital technology, and people.

2. Define Culture. Provide example.

Answer: The specific learned norms of a group's attitude, values and beliefs

3. Explain Foreign Direct Investment Theory

- **Answer: Foreign subsidiaries must possess firm-specific advantages that outweigh the disadvantages of being a foreign firm.**
- **Monopolistic advantages such as knowledge advantages, distribution networks, economies of scale, and product differentiation.**
International firm is able to command higher revenues due to superior quality of the product made by the foreign firm affiliate, its superior organization, international brand recognition, etc.

4. Explain International Product Life Cycle Theory
 - **Answer: explains the change from the export option to the direct investment option**
 - **three stages - new product, maturing product, and standardized product.**
 - **domestic production begins in stage 1, peaks in stage 2, and slumps in stage 3. Exports by the innovating firm's country also begin in stage 1 and peak in stage 2. By stage 3, innovating firm's country becomes a net importer of the product.**
 - **stage like evolutionary pattern of the diffusion of a new product or technology across national boundaries and of production locations across time and space.**

5. Explain Competitive Advantage Theory
 - **Answer: the advantage of a firm relative to another firm for a certain period of time**
 - **Competitive advantages generally do not last forever and thus firms must attempt to benefit maximally from their temporary relative advantages.**

6. Explain Learning Theory
 - **Answer: The model has a stage like approach to the internationalization process.**
 - **firms start off with low risk entry options (exports) and overtime with increased market knowledge increase their foreign market commitment (subsidiary).**

Broad Questions:

7. Identify and Explain the Hofstede's Cultural Dimensions [10]

Dimensions Defined

Dimension	Definition
<i>Power Distance</i> : degree of tolerance for hierarchical or unequal relationships	<i>High</i> – Large degree of tolerance for unequal relationships <i>Low</i> – Small degree of tolerance for unequal relationships
<i>Uncertainty Avoidance</i> : Degree of acceptance for uncertainty or willingness to take risk	<i>Strong</i> – Little acceptance for uncertainty or risk <i>Weak</i> – Generally accepting for uncertainty and risk
<i>Individualism</i> : Degree of emphasis placed on individual accomplishment	<i>Individualism</i> – Large degree of emphasis on individual accomplishment <i>Collectivism</i> – Large degree of emphasis on group accomplishment
<i>Masculinity</i> : Degree of stress placed on materialism	<i>Masculinity</i> – Large degree of stress on materialism and wealth <i>Femininity</i> – Large degree of stress on harmony and relationships
<i>Long-term Orientation</i> : Degree of stress placed on virtuous living in this world	<i>Long-term</i> – Associated with thrift and perseverance <i>Short-term</i> – Associated with respect for tradition, fulfilling social obligations, and protecting one's 'face'

8. Identify and explain the various stages of Market Development [8]

LOW-INCOME COUNTRIES

- ▶ GNP per capita of \$1025 or less
- ▶ Characteristics
 - ▶ Limited industrialization
 - ▶ High percentage of population involved in farming
 - ▶ High birth rates
 - ▶ Low literacy rates
 - ▶ Heavy reliance on foreign aid
 - ▶ Political instability and unrest
 - ▶ Concentrated in Sub-Saharan Africa
 - ▶ India is the only BRIC country

LOWER-MIDDLE-INCOME COUNTRIES

- ▶ GNI per capita: \$1026 to \$4035
- ▶ Characteristics
 - ▶ Rapidly expanding consumer markets
 - ▶ Cheap labor
 - ▶ Mature, standardized, labor-intensive industries like textiles and toys
- ▶ BRIC nations are China and Brazil

UPPER-MIDDLE-INCOME COUNTRIES

- ▶ GNP per capita: \$4036 to 12475
- ▶ Characteristics
 - ▶ Rapidly industrializing, less agricultural employment
 - ▶ Increasing urbanization
 - ▶ Rising wages
 - ▶ High literacy rates and advanced education
 - ▶ Lower wage costs than advanced countries
- ▶ Also called newly industrializing economies (NIEs)
- ▶ Examples: Malaysia, Chile, Venezuela, Hungary, Ecuador

HIGH-INCOME COUNTRIES

- ▶ GNI per capita: \$12,476 or more
- ▶ Also known as advanced, developed, industrialized, or postindustrial countries
- ▶ Characteristics
 - ▶ Sustained economic growth through disciplined innovation
 - ▶ Service sector is more than 50% of GNI