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DEPARTMENT	Business Management
CAMPUS	KINGSWAY / SWC / DFC
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ASSESSMENT DATE	21 November 2019	SESSION	09:00 - 12:00
ASSESSOR	Ms Chanté van Tonder & Dr M Bounds		
MODERATOR	Ms F Maingehama		
DURATION	180 min	TOTAL MARKS	150

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	11
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INFORMATION/INSTRUCTIONS:

- This is a closed-book assessment.
- Question papers must be handed in together with your answer books.
- Read the questions carefully and answer only what is asked.
- Answer all the questions:
 - Answer **Section A** on the multiple-choice sheet provided. Indicate the correct answer as per the instructions on the multiple-choice sheet.
 - Answer **Section B and Section C** in the answer book.
- Number your answers clearly.

STUDENT NUMBER:.....

QUESTION 1

Which one of the following characterises country risk?

- A The political and legal systems of adjacent nations greatly impact the country risk of nations that host foreign firms.
- B Country risk will change only after the creation of laws and regulations that affect foreign firms.
- C A nation's country risk level remains fairly constant until the election and installation of a new political leader.
- D Country risk is always present, but its nature and intensity vary over time and from country to country.

QUESTION 2

Which one of the following would NOT be considered an example of foreign direct investment (FDI)?

- A Cross-border purchase of a textile plant
- B Cross-border purchase of stocks
- C Purchase of capital assets of a foreign company
- D Purchase of foreign land for business operations

QUESTION 3

Which one of the following is true about global teams?

- A It is a locally distributed group of employees charged with specific problem solving that affects company operations on domestic scale.
- B To develop global strategies, the team should include culturally diverse managers whose business activities span the globe.
- C Strategic global teams focus on the efficient and effective operation of the business across the whole network.
- D Operational global teams identify or implement initiatives that enhance the long-term direction of the firm in its global industry.

QUESTION 4

Which one of the following is an advantage of exporting?

- A It allows focal firms to attain maximum control by establishing ownership of key assets in the foreign market.
- B It is a high-control strategy that requires substantial resource commitment when compared to equity joint ventures.
- C It minimises exposure to tariffs and other trade barriers, as well as fluctuations in exchange rates.
- D It increases overall sales volume, improves market share, and reduces per unit costs of manufacturing.

QUESTION 5

_____ are low-income countries characterised by limited industrialisation and stagnant economies.

- A Developing economies
- B Emerging markets
- C Developed economies
- D Transition economies

QUESTION 6

Which one of the following is an example of global sourcing?

- A After the recent global recession, major banks in Palladia were funded more quickly under national ownership and control.
- B Titania, a country with a major stake in automobile manufacturing, employs citizens to maintain its level of quality and its commitment to the automobile industry.
- C Camden Ltd., a Berylia-based pharmaceutical company, has opened manufacturing centres in Rhodia.
- D To manage the steel industry in Cadmia, over 900 coal mines were taken under public ownership.

QUESTION 7

The Adidas booster running shoe is an example of a _____.

- A patent
- B fad
- C copyright
- D trademark

QUESTION 8

Which one of the following is an element of the comparative advantage principle?

- A Per unit cost advantage
- B Relative efficiency of production
- C Absolute cost of production
- D Negative balance of trade

QUESTION 9

Which one of the following is most likely a disadvantage for firms that use exporting as an entry strategy?

- A High cost of foreign market entry
- B Difficulties withdrawing from foreign markets
- C High risk of low sales due to fluctuations in exchange rates
- D High risk due to uncertainty in the political environment of the foreign market

QUESTION 10

Which one of the following is NOT true about Islam?

- A Islam prohibits gambling.
- B Islam condemns charging interest for money loaned.
- C Islam discourages free trade.
- D Islam prohibits drinking alcoholic drinks.

Read the scenario below and answer question 11 and 12.

Based in Pretoria, the Happy Hyper Corporation has 30 fabric stores across South Africa. Given the firm's success in the South African market, Happy Hyper managers are considering internationalising their operations to the EU. The market research conducted by the company identified several established fabric companies. Beth Schultz, the founder and CEO of Happy Hyper, has expressed concerns about expanding the firm's operations into the EU. She believes internationalising in the EU is not profitable because of the presence of these established competitors. However, Edward O'Neal, the COO of Happy Hyper, believes the corporation is ready for the next step. Happy Hyper executives and managers have gathered to discuss their organisation's readiness to internationalise.

QUESTION 11

Which one of the following questions would be more important for Happy Hyper executives to evaluate when determining the firm's readiness to internationalise?

- A What does Happy Hyper hope to gain from internationalising its operations?
- B How are the domestic sales figures of Happy Hyper's competitors?
- C What product pricing strategies should Happy Hyper adopt?
- D Where would be the best location for a Happy Hyper product distribution centre?

QUESTION 12

Which one of the following should most likely be considered in determining whether Happy Hyper is ready to internationalise?

- A What is the market demand for Happy Hyper's products in selected target markets?
- B What demands will internationalisation make on Happy Hyper's financial resources?
- C How will Happy Hyper managers determine which foreign market is appropriate?
- D Should Happy Hyper relocate its corporate headquarters after internationalising?

QUESTION 13

Which one of the following is often a motive of firms in the mining industry to enter new foreign markets?

- A Access natural resources
- B Skilled pools of labour
- C Increase refining capacity
- D Low minimum wages

QUESTION 14

All of the following are governmental factors that firms must consider when selecting an FDI location except _____.

- A market proximity
- B transparency
- C bureaucracy
- D political stability

QUESTION 15

Which one of the following represents an infrastructural factor that firms must consider when selecting an FDI location?

- A Size and growth of national market
- B Political stability
- C Availability and quality of local manufacturing
- D Stability of currency

QUESTION 16

Which one of the following represents a human resource factor that firms must consider when selecting an FDI location?

- A Intellectual property protection
- B Transparency and corruption
- C Extent of bureaucracy and red tape
- D Involvement of labour unions

QUESTION 17

Which one of the following tasks should a shoe manufacturing company perform first if it needs to assess the global market opportunity?

- A Assess the suitability of the company's shoes for foreign markets
- B Analyse the firm's readiness to internationalise
- C Choose foreign business partners
- D Screen countries to identify foreign markets

QUESTION 18

Which one of the following tasks in the global market opportunity assessment process should be performed directly before the task of estimating company sales potential?

- A Analyse the company's readiness to internationalise
- B Screen countries to identify target markets
- C Assess industry market potential
- D Choose qualified foreign business partners

QUESTION 19

Which one of the following is the way in which common markets differ from customs unions?

- A Tariffs and non-tariff trade barriers are eliminated when trade and business investments occur between member nations.
- B. Products, services and factors of production are allowed to move freely between member countries.
- C Member nations share a regulated system of tariff rates and equally distribute tax revenue received from non-member countries.
- D The monetary, tax and fiscal policies of member nations are overseen by a central authority.

QUESTION 20

Which one of the following statements best explains the reason that many economists adhere to the concept of free trade between nations?

- A Unrestricted international trade increases the prosperity of poor nations.
- B Lower-cost imports reduce the expenses of firms by reducing wages.
- C Domestic product prices tend to remain lower than imported products.
- D Inexpensive exports increase consumer prosperity by reducing expenses.

QUESTION 21

There are three successes that NAFTA has accomplished for its members. Which one is not a factor?

- A NAFTA eliminated tariffs and most non-tariff barriers for products and services traded in the bloc and made it possible for member country firms to bid for government contracts in all three countries.
- B NAFTA established trade rules and uniform customs procedures and regulations, while prohibiting the use of standards and technical regulations as trade barriers.
- C NAFTA provides for dispute settlement in such areas as investment, unfair pricing, labour issues and the environment.
- D NAFTA has adopted Rules of Conduct to combat extortion and bribery.

QUESTION 22

Dunning's eclectic paradigm specifies three conditions that determine whether a company will internationalise through FDI. Which one is incorrect?

- A Location-specific advantages
- B Internalisation advantages
- C Ownership-specific advantages
- D Monopolistic-specific advantages

QUESTION 23

Which of the following statements characterise the comparative advantage?

- (i) Derived from natural endowments
- (ii) Provide unique benefits in global competition
- (iii) The exportation of labour-intensive goods should be emphasised
- (iv) Superior features of a nation

Choose the correct answer:

- A (i), (ii) and (iii)
- B (ii), (iii) and (iv)
- C (i), (ii) and (iv)
- D (iii) and (iv)

QUESTION 24

Which one of the following would exert pressure on a US-based clothing company, Holly Bee, to become locally responsive?

- A To seek cost reduction through scale economies
- B To conduct global sourcing of raw materials, components, energy and labour
- C To monitor and respond to global competitors
- D To meet host government requirements and regulations

QUESTION 25

Which one of the following is necessary for local responsiveness to increase a firm's competitiveness effectively?

- A Local managers need to be able to make decisions based on local needs.
- B Corporate executives must standardise marketing and merchandising.
- C Employees must be hired and trained only within a local region.
- D A firm's bankers and financial managers must be locally based.

QUESTION 26

Members of 50 different countries attended a workshop on economic development, hosted by an international organisation based in Geneva, Switzerland. Attendees of the workshop learned about techniques designed to assist countries in expanding their degree of economic development.

The workshop participants are divided into groups of three. For learning purposes, each group must be made up of individuals from countries with a similar degree of economic development. Which of the following might be grouped together?

- A Representatives from Bangladesh, Nicaragua and Zaire
- B Representatives from Germany, China and Sudan
- C Representatives from the US, China and Belarus
- D Representatives from Sudan, Spain and France

QUESTION 27

_____ are the people and organisations that support the political system and receive government resources.

- A Subsidiaries
- B Regional trade blocs
- C Constituents
- D Shell corporations

QUESTION 28

The _____ states that it can be beneficial for two countries to trade without barriers as long as one is relatively more efficient at producing goods or services needed by the other.

- A monopolistic advantage theory
- B internalisation theory
- C absolute advantage principle
- D comparative advantage principle

QUESTION 29

Which one of the following is true with regard to culture?

- A It captures how the members of the society live.
- B It is absolute.
- C It does not define the collective behaviour of each society.
- D It is inherited.

QUESTION 30

Which one of the following is considered a regional hub?

- A Hong Kong
- B Ireland
- C Canada
- D Russia

SECTION B

[43 MARKS]

Read the case study below and answer the questions that follow.

Folli Follie Group and Fosun International: A Global Partnership

On 4 May 2011, Fosun International, a large China-based holding company, agreed to purchase a 9,5% stake in the Greek luxury designer and retail group Folli Follie Group for €84,58m. Greek analysts had conflicting evaluations of Folli Follie Group's stock price, raising the question whether Fosun paid a premium for its stake.

Folli Follie is a Greek luxury brand founded in 1982 by Dimitris Koutsolioutsos. The company started expanding in the Greek market through franchising, and opened its first overseas store in Japan in 1995. Although Greece and Japan were initially the basic growth markets for Folli Follie, the founder did not limit the firm's operations to these two countries. Driven by his vision for a globally successful firm, he decided to expand into several international markets, and approached Fosun International to facilitate the company's entrance into the Chinese market.

Fosun International regards capturing "investment opportunities benefiting from China's growth momentum" as an important task for building up its main business portfolio, and jumped on the opportunity to help Folli Follie expand into the Chinese luxury market. During the past decade, luxury consumption in China has been enjoying a rapid increase. With rising income, widely available luxury products, and shifting attitudes toward the display of wealth, Chinese consumers feel more comfortable buying luxury goods than ever before.

However, some challenges do face the Folli Follie Group; there are several barriers to entry in the Chinese luxury market: experienced partners and distributors are hard to find, and many Chinese consumers are relatively unfamiliar with luxury brands. The last couple of years have also been challenging for the company due to the impact of the financial crisis. While most global economies started to improve in 2010, the worsening effects of the crisis in Greece and Southeast Europe were reflected in the financial performance of the Group. This poses a significant risk, as domestic sales in Greece account for 51% of the company's total sales.

Source: <https://www.johnson.cornell.edu/emerging-markets-institute/research/case-studies/folli-follie-group-and-fosun-international-a-global-partnership/>

QUESTION 1

[43 MARKS]

- 1.1 Do you think the Folli Follie Group will continue to experience growth in the Chinese luxury market to offset its unsatisfactory performance in its domestic market? (6 marks).
- 1.2 Discuss **THREE (3)** reasons why Folli Follie chose an emerging market such as China. *Remember to link your answer to the case study* (12 marks).

1.3 Folli Follie could also consider foreign direct investment as market entry strategy into an economic bloc. Advise the company why it should consider choosing this mode of market entry. (5 marks)

1.4 Discuss the features of a systematic approach to exporting, that Folli Follie can apply. (20 marks)

SECTION C

[77 MARKS]

QUESTION 2

[24 MARKS]

Many firms face pressures from global integration, moreover are they facing pressure to respond to local responsiveness. Discuss the reasons why firms would respond to global integration **AND** respond to local responsiveness pressures?

QUESTION 3

[8 MARKS]

Discuss **ANY FOUR (4)** guidelines to managers on how they can skilfully address global sourcing.

QUESTION 4

[45 MARKS]

Read the text below and answer the questions that follow.

Search All Photographers is the biggest online photography search platform in Africa. The company has set its sight on global domination with the aim to list every reputable photographer in the world on the site. It's like Facebook for photographers, offering customers and photographers the ideal online space to connect and subscribe to services.

4.1 Advise Search All Photographers on how they can assess their readiness to internationalise. (32 marks)

4.2 The management team at Search All Photographers does not understand what government intervention is. Explain to them by discussing ***what protectionism is, how protectionism can arise*** and ***FOUR (4) defensive motives why governments intervene***. (13 marks)

END OF PAPER