



<b>FACULTY/COLLEGE</b>	College of Business and Economics
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<b>ASSESSMENT DATE</b>	January 2020	<b>SESSION</b>	TBC
<b>ASSESSOR</b>	Dr M Bounds & Ms Chante van Tonder		
<b>MODERATOR</b>	Ms F Maingehama		
<b>DURATION</b>	120 min	<b>TOTAL MARKS</b>	150

<b>NUMBER OF PAGES OF QUESTION PAPER (Including cover page)</b>	12
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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 C** in the answer book.
- Number your answers clearly.

**SECTION A****[30 MARKS]****QUESTION 1**

The president of WFC believes worldwide demand for fish & chips is growing and that Botswana could be a profitable market in which the firm could internationalise. WFC executives are in the process of gathering information in preparation for a board meeting in which a vote will be taken on the plan to open a restaurant in Gaborone.

Which one of the following best supports WFC entering the Botswana market?

- A Language differences
- B Botswana culture
- C Cultural homogenisation
- D WFC culture

**QUESTION 2**

The legal system of Country A is based on civil law, while the legal system of Country B is based on common law. Other than the legal systems of the two countries, all other aspects are virtually identical. Zane's legal experts must determine which system would be the most beneficial to Zane in the long term.

Which one of the following supports Country B over Country A?

- A Most countries in the world follow the principles of common law.
- B The flexibility of common law allows for judicial interpretation in unique cases.
- C Common law nations administer justice based on a structured set of rules.
- D The legislative origin of common law precedents offers judicial equity.

**QUESTION 3**

The leaders of Kazmia, a small nation in the southern hemisphere, have called a meeting to discuss ways to encourage foreign firms to invest in Kazmia. The country was once a leader in diamond mining and exports. Government leaders must devise a plan to reinvigorate the once prosperous nation.

The first stage of creating a competitive advantage for Kazmia will most likely involve which one of the following?

- A Developing public works projects
- B Redeveloping the country's diamond mines
- C Creating a national industrial policy
- D Creating a marketing campaign to attract young people back to Kazmia

**Read the following scenario and answer questions 4 to 5:**

Echo managers are attempting to convince Nathan Douglas, the firm's founder and CEO, that **global sourcing** would enable the firm to be more competitive without sacrificing quality.

**QUESTION 4**

Which one of the following most likely supports the argument of Echo managers to outsource some of the firm's value-chain activities?

- A Managers could reduce the wages of United States (US) -based employees and subcontractors.
- B Could save money by off-shoring data processing and accounting activities.
- C Managers could implement a new marketing campaign for foreign markets.
- D Echo could partner with a US-based competitor and share common foreign suppliers.

**QUESTION 5**

Which one of the following should most likely be considered in making the decision to outsource Echo value-chain activities?

- A What are the long-term strategic goals and objectives of Echo?
- B Would Echo engineers be willing to relocate to a foreign nation?
- C How many of Echo's competitors outsource business activities?
- D Can Echo find employees for a customer service centre in the US?

**QUESTION 6**

International collaborative ventures allow focal firms to \_\_\_\_\_.

- A reduce outsourcing needs and expenses
- B eliminate burdensome customs barriers
- C configure value chains more effectively
- D train and employ skilled foreign workers

**QUESTION 7**

Which one of the following is a cultural barrier inherent to service firms that internationalise via foreign direct investment (FDI)?

- A Service firms are unable to infiltrate international markets owing to language issues.
- B The source of the firm's funding determines the location of international subsidiaries.
- C Service firms use technology to overcome trade and cultural barriers.
- D The firm's structure and corporate culture stem from the firm's home nation.

**QUESTION 8**

Which of the following statements characterise the comparative advantage?

- (i) The principle provides the foundation for modern international trade.
- (ii) Cost of production is less important than ease of production.
- (iii) The exportation of labour-intensive goods should be emphasised.
- (iv) Nations can trade profitably even if manufacturing costs are high.

Choose the correct answer:

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

**QUESTION 9**

Which one of the following is a typical complaint of host country competitors against foreign firms?

- A Foreign firms burden the host country with infrastructure requirements.
- B Foreign firms do not have to obey host country laws and regulations.
- C Foreign firms receive financial support from host country governments.
- D Foreign firms lure local workers away from host country businesses.

**QUESTION 10**

Boycotts and protests have the potential to harm businesses by \_\_\_\_\_.

- A preventing businesses from shipping their products to foreign markets
- B reducing sales and requiring additional public relations activity
- C destroying the ability of a firm to carry on normal business operations
- D raising concerns about a firm's foreign operations by initiating lawsuits

**QUESTION 11**

A born global firm can best be defined as \_\_\_\_\_.

- A an initiator of an international business transaction
- B a specialist firm that provides marketing services
- C a business with special expertise in customs and banking
- D a company that moves quickly into international markets

**QUESTION 12**

\_\_\_\_\_ refer to a cross-border business alliance whereby partnering firms pool their resources and share costs and risks to undertake a new business venture.

- A International collaborative ventures
- B Turnkey operations
- C Greenfield investments
- A Acquisitions

**QUESTION 13**

Which one of the following tasks is the final stage of assessing the global market opportunities of a firm?

- A Screen countries to identify target markets
- B Assess product suitability for foreign markets
- C Estimate company sales potential
- D Assess industry market potential

**QUESTION 14**

Trade audits may provide managers with insight regarding \_\_\_\_\_.

- A manufacturing cost estimates
- B company employee opinions
- C competitors' offerings and pricing
- D market fluctuation tendencies

**QUESTION 15**

Which of the following significantly affect the level of the balance of trade?

- (i) Exchange rate
- (ii) Currency risk
- (iii) Prices of goods
- (iv) Trade barriers

Choose the correct answer:

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

**QUESTION 16**

\_\_\_\_\_ is an example of a currency risk.

- A Purchasing products from a nation with appreciating currency
- B Purchasing products from a country with depreciating currency
- C Selling products to a country with appreciating currency
- D Selling products to a nation with a constant currency rate

**QUESTION 17**

Which of the following questions needs to be addressed by managers to determine the organisational readiness to internationalise?

- A What is the basis of the firm's competitive advantage?
- B Where do people purchase the product or service?
- C Who initiates purchasing?
- D What economic, cultural, geographic, and other factors in the target market may limit sales?

**QUESTION 18**

In order to estimate industry market potential, managers most likely require information on \_\_\_\_\_.

- A market size and growth rates specific to the industry
- B manufacturing specifications and production output
- C anticipated improvements within public infrastructure
- D expected long-term information technology needs and e-commerce trends

**QUESTION 19**

Which one of the following most likely occurs in the experimental stage of internationalisation?

- A Managers open franchises within an economic bloc to gain valuable experience.
- B Management aggressively targets the domestic market to take control over competitors.
- C Managers target low-risk, physically close markets through exporting or licensing.
- D Management targets physically close markets through collaborative ventures or foreign direct investment.

**QUESTION 20**

Which of the following are advantages that firms often experience with exporting?

- (i) Increased economies of scale
- (ii) Stabilised sales fluctuations
- (iii) Reduced dependence on domestic sales
- (iv) Amplified country and corporate risk

Choose the correct answer:

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

**QUESTION 21**

In order to find appropriate foreign intermediaries, exporters would most likely consult \_\_\_\_\_.

- (i) industry trade associations
- (ii) newspapers and magazines
- (iii) economic development agencies
- (iv) regional business directories

Choose the correct answer:

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

**QUESTION 22**

**International business** is defined as the performance of \_\_\_\_\_ activities by firms across national borders.

- A marketing and fiduciary
- B trade and investment
- C finance and operational
- D manufacturing and sales

**QUESTION 23**

Globalisation has helped increase all of the following **except** \_\_\_\_\_.

- A. the variety of capital flows across national borders
- B the economic isolation of developing countries
- C the volume of cross-border transactions
- D the rate at which products are diffused worldwide

**QUESTION 24**

Which of the following are elements of Porter's model of national competitive advantage?

- (i) Firm strategy, structure and rivalry
- (ii) Demand conditions
- (iii) Quality of production
- (iv) Factor conditions

Choose the correct answer:

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

**QUESTION 25**

How do nations that lack natural or other resources compete in international business and trade?

- A Governments continue to encourage the export of goods and services that have been historically profitable.
- B Competitive advantages are initiated by multinational focal firms that manufacture products in impoverished nations.
- C Nations create their own competitive advantages by investing in education, industry and infrastructure.
- D National industries are created and large public works projects are initiated to create employment opportunities.

**QUESTION 26**

When a government seizes corporate assets **without compensation** it is known as \_\_\_\_\_.

- A confiscation
- B expropriation
- C nationalisation
- D embargo



**QUESTION 27**

In the **five-step framework** for making ethical decisions, implementing a course of action implies \_\_\_\_\_.

- A assessing how effective the decision was
- B reviewing any proposed action to ensure it is acceptable according to company policy and the firm's code of conduct
- C determining the nature and dimensions of the ethical problem
- D creating new rules, processes or procedures, and putting these into effect

**QUESTION 28**

What is the **primary ethical** concern regarding the import of products from poor countries?

- A Higher tariffs hurt poor nations more than developed nations.
- B Nations lacking economic freedom cannot afford to export.
- C Emerging nations use government intervention to protect domestic industries.
- D Lack of subsidies adversely affects poor countries.

**QUESTION 29**

What has been the impact of **social democracy** on international business relations in some European countries?

- A Regulations have forced foreign firms to invest elsewhere.
- B Politically conscious foreign firms have begun investing in socialist nations.
- C Low income tax rates have encouraged an influx of FDI.
- D Political stability has decreased the country risk of socialist nations.

**QUESTION 30**

Which one of the following is characteristic of an **effective legal system**?

- A A stable and rigid framework of rules and norms across nations
- B Systematically enforced laws and regulations
- C Political involvement in business transactions
- D Universal emphasis on religious law over common and civil law

**30 x 1 mark each = 30 marks**

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**SECTION B****[50 MARKS]**

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

**INTERNATIONAL VENTURES BY WALMART**

In venturing beyond its large domestic market, Walmart had a number of international and regional options, including entering Europe, Asia, or other countries in the Western hemisphere.

**Success in China**

While the Asian markets had huge potential when Walmart launched its globalisation effort in 1991, they were the most distant geographically and different culturally and logistically from the American market. It would have taken considerable financial and managerial resources to establish a presence in Asia. Still, China's cultural, linguistic, and geographical distance from America presented relatively high entry barriers, so Walmart decided to use two beachheads as learning vehicles for establishing an Asian presence.

**Brazil**

In this most open of large emerging economies, the world's two biggest supermarket chains and a home-grown competitor are battling for dominance. Leading the field is Companhia Brasileira de Distribuicao Grupo Pao de Acucar, with revenues over \$13 billion in 2009. Close behind is France's Carrefour, with sales last year of \$12,6 billion.

All three plan to invest big in Brazil in coming years. As its middle class expands, annual spending on food is expected to rise 50 per cent over the next five years, to \$406 billion, says Carlos Hernandez, a Madrid-based analyst at consultant Planet Retail. Among the emerging nations known as BRICs, Brazil offers fewer barriers to business than Russia, India and China. India bans foreign stores that sell multiple brands, and Russia limits expansion by retailers. China is attractive because of its rapid economic growth, expected to be eight per cent in 2010. However, "Brazil is more developed in terms of infrastructure and wealth creation," says Justin Scarborough, a retail analyst at Royal Bank of Scotland in London. "Consumers are used to shopping in hypermarkets, whereas retail in China is more traditional."

**India and Russia**

The other two attractive markets from the BRICs group that also draw Walmart's attention are India and Russia. India and Russia are widely regarded as two of the world's fastest growing retail markets – and two of the most frustrating foreign retailers. Walmart boasts one wholesale outlet so far in India, and it has only a 30-person development administrative office in Moscow to show after more than five years of scouting in Russia. But, through a combination of joint ventures, acquisitions and expansion, the retailer is hoping to become a major player in both countries.

India's \$350 billion retail sector is composed of small family-run ventures, with organised chains accounting for less than five per cent of sales. To get around government restrictions on foreign retailers selling to consumers, Walmart recently teamed up with Bharti Enterprises to open a cash-and-carry operation in the northern city of Amritsar.

In April 2010, Scott Price, president and CEO of Walmart Asia, reinforced the major points of Walmart's Asian strategy. He also noted that India has a lot of potential as it has availability of a highly educated workforce. "The retail giant would also like to increase sourcing from India for their stores all over the world," he said.

In Russia, the impediments to retail development are less visible but no less worrisome. Corruption is rampant with various administrative authorities capable of stopping operations if payments are not made. Anticorruption group Transparency International ranked Russia 147<sup>th</sup> out of 180 countries on its most recent corruptions perception index. While Walmart is looking at opening its own stores in Russia, it's far more likely it will start by acquiring a local retailer.

### South Africa

It was announced that Walmart was conducting due focus on Massmart, a leading retailer in South Africa, which operates 288 large stores located in 14 African countries, most of them in South Africa where it has a strong presence catering to a range of customers.

**Adapted from:** Luthans, F. & Doh, J.P. 2012. *International Management: Culture, Strategy and Behaviour*. Eight Edition. Singapore: McGraw Hill

**No marks will be given for listing only.**

### QUESTION 1.1

Identify the four BRIC countries and give a reason why emerging countries are high on the list of global expansion. (5)

Identify any FOUR risks/challenges confronted by Walmart in its **emerging** market operations. Provide four examples from the case study. (12)

### QUESTION 1.2

Walmart experienced government intervention in China. Explain FIVE **strategies** that Walmart managers in China can develop in order to deal with **government intervention**. (15)

**QUESTION 1.3**

Since the end of World War II Walmart has sought, and is now still seeking, to cooperate, with the aim of achieving some degree of regional integration. Identify **THREE advantages** AND **FOUR implications** of regional economic integration. Provide examples for each advantage to illustrate your answer. (18)

**SECTION C****[70 MARKS]****QUESTION 2****[Marks: 20]**

The **integration-responsiveness framework** presents four distinct strategies for internationalising firms. Identify and explain the distinct characteristics of the four stages.

**QUESTION 3****[Marks: 14]**

- 3.1 Discuss the three **market-seeking motives** why multinational enterprises (MNEs) enter markets through foreign direct investment (FDI). Use examples in your discussion. (6)
- 3.2 Distinguish between Greenfield investment and mergers and acquisitions. Use examples in your answer. (8)

**QUESTION 4****[Marks: 18]**

Discuss any **SIX benefits** experienced by focal firms that participate in **global sourcing**. Provide examples for each benefit to illustrate your answer.

**QUESTION 5****[Marks: 18]**

Explain global market opportunity under the following:

- Task 2: To assess the **suitability of products** and service for foreign markets. (9)
- Task 6: To estimate **company sales** potential. (9)

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