

**International Business**  
Exam October 24, 2008, time: 4 h  
Examiner: Wilhelm Barner-Rasmussen

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Please answer all questions. Note that your answers to question 1 may not exceed 10 lines per sub-question, and your answers to questions 2 and 3 may not exceed 3 pages per question. Please make sure you write legibly. Good luck!

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1. Please provide brief answers to the following questions:

- a) What is the difference between a *multinational* firm (MNC) and a firm that is merely *international* and what are the potential advantages of being a multinational?
- b) What are the major arguments for and against free trade?
- c) What would be an example of a non-tariff barrier in the context of international trade?
- d) Which are Hofstede's four original cultural dimensions?
- e) What does the term 'corporate immune system' refer to?

(Max. 5 x 2 points, max. 10 lines per sub-question)

2. It is commonly argued that multinational corporations are subject to pressures for cost reduction/standardization on one hand, and pressures for local responsiveness on the other hand. In your answer:

- a) explain where these pressures stem from,
- b) list the four basic strategies they give rise to, and
- c) explain under which conditions each of these strategies are relevant.

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(Max 20 points, max. 3 pages)

3. Please read the case overleaf and analyze it using the knowledge you have of internationalization processes, differences in national culture, subsidiary initiatives, interpersonal relationships in MNCs, and the Russian market.

(Max. 20 points, max. 3 pages)

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NORT is a 100-year-old Finland-based chemical process manufacturer of close to 5,000 employees, which focuses on markets in Europe and Asia. Despite its relatively small size, it is world-leading in its niche. The company has historically been relatively focused on Finland, and has a combined HQ and factory in a regional industrial town there. NORT has nevertheless been able to hold its own place in the international marketplace in competition with giant international competitors, and has also been able to survive on its own on the stock market after being spun off by its conglomerate parent in the mid-1990s. Analysts consider this due to the high quality of its products and the high standard of its research and development, which is carried out by a highly secretive and tightly-knit team of engineers located at the HQ.

The personnel of NORT is highly motivated and highly committed to the company. The work atmosphere is characterized by camaraderie and good relationships; the CEO and top management have lunch in the same staff canteen as the factory-floor workers, and it is not uncommon for a line worker to come up and talk to the CEO with improvement suggestions, comments, or criticism. This is all part and parcel of 'the NORT spirit'. Many of the employees have been in the company's service throughout their entire working life, for 20 or 30 years.

During the last 5 years, NORT has started a second factory in Russia in the wake of huge demand for its products there. The expansion into Russia started with an aborted joint venture with an Indian partner. When this venture folded, NORT decided to invest in a greenfield factory outside St Petersburg. The factory and the local organization were built from scratch in a very short time. The Russian organization is run by a very efficient team of young Russians with Western MBAs and work experience from major US multinationals in Russia. They have hitherto been very committed and inspired to building up NORT's Russian operations, even rejecting job offers from competitors offering much more, because they enjoy their jobs and their colleagues so much. The Russian operations of NORT now have a headcount of some 300 persons, recruited in less than 2 years, and the transfer of manufacturing competences has been highly successful. Some reasons given for this success are: quick decision-making, good relationships to authorities, professional transfer of production capabilities, and close cooperation between the Russian managing director and Finnish production experts.

The Russian operation now generates some 50% of NORT's production, more than 50% of its annual turnover (because sales margins are higher in Russia than in NORT's other major markets), and does so with lower costs per employee than the Finnish unit. Now the Russian top management team wants to expand the factory further and wants to establish an own R&D unit.

What should NORT corporate top management keep in mind when handling this situation?