

International Business 2253

Exam 3, January 19, 2012

Examiner: Jennie Sumelius

Time at disposal for writing exam: 4 hours

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!

Jennie

1. Please provide brief answers to the following questions:

(Max. 5 x 3 points, max. 10 lines per sub-question)

- a) Explain *franchising* as an internationalization method and give an *example*
- b) A good *CSR reputation* may provide advantages to firms in relation to different markets on which they compete with other firms. Which markets and why?
- c) Please explain what is meant by *behavioural and attitudinal adoption* in regard to a subsidiary's adoption of the parent multinational's (MNC) practices
- d) Multinational companies (MNCs) are typically faced with the '*adaptation vs standardization*' or '*local vs global*' dilemma. Please present arguments for the need for global standardisation and local adaptation respectively.
- e) Please explain *Perlmutter's different international orientations* of firms

2. *Social capital* is commonly defined as the assets embedded in networks and interaction

- a) Please list and briefly explain the three different dimensions of social capital suggested by Nahapiet and Ghoshal (1998) (6 points)
- b) Please briefly explain why social capital is important for individual managers as well as for organizations. (4 points)
- c) Please briefly explain what the HR department can do to influence/encourage the building of social capital in the MNC? (5 points)

(Max 15 points, max. 3 pages)

3. Please read the case description below and analyze it using relevant theory related to entry modes, subsidiary initiatives, emerging markets, and culture.

(Max. 15 points, max. 3 pages)

SALA is a Finnish manufacturer of chemical equipment with roughly 9,000 employees located in 25 countries. Despite its relatively small size the company has achieved a world-leading position in its field and has fared well in competition with giant international competitors. 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 tightly-knit team of engineers located at headquarters in Finland.

The company's main focus has traditionally been on markets in Western Europe. However, as a result of the rise of new emerging markets there has been a big demand on SALA's products in China and during the past five years SALA has established two new factories there. The first Chinese factory was established through a joint venture with a local partner (50/50 equity), and two years later the second factory was started as a greenfield investment in which the factory was built from scratch in a very short time.

The greenfield operation is run by an efficient team of young Chinese with Western MBAs and work experience from major US multinationals in China and this operation now generates a large part of SALA's production, and does so with lower costs per employee than the Finnish unit. Now the top management team of the greenfield operation wants to expand the factory further and establish an own R&D unit. The joint venture on the other hand is faring worse and SALA is having trouble communicating with the local partner (which was previously a state-owned enterprise) and getting decisions made.

The CEO of SALA is meeting with the rest of the top management team next week. In preparation for this meeting he is pondering over three key issues:

First, considering the success of the company's greenfield operation, the CEO is wondering about whether or not SALA should stay in the joint venture or strive to gain full control over that operation by buying out the local partner. In order to make this decision, the CEO feels he needs to be reminded of the pro's and con's of a joint venture (max. 5 points). Second, what does the top management of SALA need to consider regarding the greenfield subsidiary's initiative to establish an R&D unit of its own (max. 5 points)? Third, the CEO does not have much experience of China and he feels he needs to brush up on his knowledge about cultural differences. He vaguely recalls having a heard of two studies on cultural differences and remembers the names Hofstede and Globe but needs to be reminded about the content of these studies and their main similarities and differences (max. 5 points). Please help him!