

International Business 2253

Exam 1, May 16th, 2014

Examiner: Hertta Vuorenmaa

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 clearly. Good luck!

Hertta

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) Explain *licensing* as an internationalization method and give an *example*
- c) Please list the *four generic MNC strategies* and briefly explain *which strategy responds to which combination of cost reduction and local responsiveness pressures*
- d) 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?
- e) What are the *elements of organizational architecture*?

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

2. Perlmutter (1969) developed a theory of different international orientations (mindsets) of firms. Please, briefly explain:

- a) what this theory refers to and list the four different orientations
- b) each of the orientations (i.e. how companies do business when following each of the orientations)

(Max 15 points, max. 3 pages)

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

FINA is a Finnish medical equipment manufacturer with roughly 6,000 employees located in 35 countries. Despite its relatively small size the company is world-leading 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 Europe and North America. However, as a result of the rise of new emerging markets there has been a big demand on FINA's products in China and during the past five years FINA 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 FINA'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 FINA is having trouble communicating with the local partner (which was previously a state-owned enterprise) and getting decisions made.

The CEO of FINA 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 FINA 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 FINA 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 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!

(Max. 15 points, max. 3 pages)