QUESTION ONE

1. **Evaluate Nike’s entry strategy in China**:

Nike used the contract manufacturing strategy in entering China. It is a type of international business, in which a firm enters into a contract with another firm in a foreign country to manufacture certain components or goods as per its specifications.

Nike first entered the Chinese market in 1981. Nike grew rapidly in China, but instead of bringing its products over directly, Nike chose to sponsor Chinese sporting clubs and athletic events. During the 2008 Beijing Olympics, Nike took the initiative to sponsor several sports teams, which took the brand across the entire country. Today, Nike targets China’s middle-class consumers through sponsorships of famous athletes with large followings in China. Nike also focuses on Chinese e-commerce taking the advantage of the high penetration of online shopping platforms

1. **Suggest any three (3) entry strategy Nike could have used**

Nike could have used the Exporting and Importing strategy

Nike could have used the Licensing strategy

Nike could have used the Franchising strategy

1. **Justify the reason for your suggested strategies**

Exporting and Importing strategy refers to selling of goods and services by a firm of home country to a firm of foreign country. Importing refers to buying of goods and services by a firm of home country from a firm of foreign country.

Licensing strategy is as a contractual arrangement in which one firm grants access to its patents, trade secrets or technology to another firm in a foreign country for a fee called royalty. The firm that grants such permission is known as ‘Licensor’ and the other firm in the foreign country that acquires such rights are known as ‘Licensee’.

Franchising strategy is also a contractual agreement which involves grant of rights by one party to another for use of technology, trademark and patents in return of the agreed payment for a certain period of time. The company that grants the rights (i.e., parent company) is known as ‘Franchiser’ and the other company (which acquires the rights) is known as ‘Franchisee.

1. **Contrast any two (2) of your suggested strategies with that of Nike**

Contract And Licensing Manufacturing

Contract manufacturing and licensing are two ways for Nike to manufacture their product from another company without involving themselves in the process. It is their responsibility to procure the raw materials for production. Now, let’s understand the key differences.

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| **Contract** | **Licensing** |
| Nike have complete ownership of their product. | Nike may or may not have complete ownership of the product. |
| Nike are more involved as they handle marketing and sales. | Nike are less involved as your Licensee manages the sales and marketing. |
| Nike decide how many units to manufacture, and they will also bear the costs. | The licensee can manufacture as many units as they like, and they will bear the costs too. |
| More risk as Nike bears the loss if their products sell less and don’t generate enough revenue. | Less risk on Nike since they decide the number of units to produce. In case of low sales, they will incur a loss. |
| Nike receive all the revenue generated through sales. | Nike will receive only a percentage of the revenue made from sales. |
| Since Nike is handling the marketing, sales and distribution, it is more of an active income. | Nike can make a passive income from their invention. If the sales of their product increase, so does their income. |

Contract And Franchising Manufacturing

What rights are granted in the agreement?

***Franchise***: franchise agreement gives franchisees a ‘business in a box’; franchisees will gain access to the brand’s intellectual property and insider business know-how in the operations manual; and there might be a central marketing fund for the franchise.

***Contract***: the business operator will manage and operate the business on behalf of the owner. The operator will be paid for their services, but they will not own the business; and the business operator may also use a business operation manual. However, you will typically select the operator on the basis of their skill and expertise.

What are the key obligations in the agreements?

***Franchise***: franchisee will operate the business day-to-day; franchisee must comply with the standards set out in the franchise agreement and operations manual; franchisor may provide ongoing support to the franchisee and must comply with the Franchising Code of Conduct, particularly in relation to resolving disputes; and franchisee will pay ongoing royalty and franchise fees.

***Contract***: operator will be responsible for the day-to-day running of the business but will be accountable to the owner; operator will need to meet the standards and targets set out in the management agreement; business owner will need to pay the operator accordingly; and business owner will maintain overall legal responsibility for the business. Depending on the terms of the agreement, this may include complying with tax laws for the business, employment responsibilities for employees not involved in the management agreement, acquiring relevant permits and insurances for the business and premises and any obligations created by a lease on the premises.

QUESTION TWO

**Explain Nike’s ‘category offense’ and ‘Reset’ strategies**

Category offense realigns business units around consumers (organized by use case) allowing a large global brand like Nike to communicate with its consumers and to provide innovative products to meet their needs. In 2008, Nike made a change to organize based on sports instead of products, an approach they called “Category Offense”. Nike's new categories included Running, Global Football, Basketball, and Women's Training.

By undergoing a strategic reset, Nike can finally look beyond the immediate needs of remapping the customer journey, protecting staff and keeping cash flowing. A true strategic reset allows perceptive and flexible leaders to reimagine their businesses and find the best paths forward. Those who can flex their entrepreneurial muscles can turn the turbulence of these times into an advantage.

QUESTION THREE

**Discuss any three (3) FDI theories that support this move**

Capital Market Theory

The capital market theory is a part of portfolio investment theory and is considered one of the oldest theories that explain the idea behind expansion of firms abroad. According to this approach, FDI is determined mainly by interest rate and the value of host country’s currency. Aliber (1971) argued that firms are more likely to expand abroad when their currency value in the home country is strong. While, firms that hosted by countries with have a weak currency avoid investing abroad (Moosa, 2002, Faeth ,2009).

Internationalization Theory

The internationalization theory sought to provide another explanation for FDI through concentrating on intermediate inputs and technology. This theory was founded by Buckley and Casson (1976) based on the seminal work of Coase (1937), where they attempted to answer the question why production is carried out by the same firm in different locations. In this context, Buckley and Casson (1976) and Hennart (1982) developed the theory of internalization which relied mostly on the assumption of market imperfections, where the firms expand their activities abroad to overcome the market failure, and to enhance their monopolistic advantage (Kang and Jiang, 2012). The central assumption of this theory is that the established multinational enterprises are motivated to reduce transaction cost related to failures in the market for intermediate products, the matter that raises the profitability of these firms.

Industrial Organization Theory

The industrial organization theory of Hymer (1976) is seen as a core to provide sufficient explanation for the motivations of an active multinational corporation. Hymer was one of the most A. Musabeh. 2018 famous economists who established an organized approach towards understanding the motives of domestic firms to extend their activities internationally. Hymer's theory is based on the idea that firms extend their operations abroad to compete with local companies and to capitalize on specific capabilities and advantageous position regarding consumer’s preference, the legal system, and culture that are not shared by other competitors in foreign countries, which is called “monopolistic advantage.”

QUESTION FOUR

1. **Examine how government policies can impact FDI flow in a home country**

The objective of the FDI Policy is to attract and promote foreign direct investment to supplement domestic capital, technology, and skills, for accelerated economic growth. FDI is subject to compliance with all relevant sectoral laws, regulations, rules, security conditions, and state/local laws/regulations. By acquiring a controlling interest in foreign assets, corporations can quickly acquire new products and technologies, as well as sell their existing products to new markets. And by encouraging foreign direct investment, governments can create jobs and improve economic growth. FDI creates new jobs and more opportunities as investors build new companies in foreign countries. This can lead to an increase in income and more purchasing power to locals, which in turn leads to an overall boost in targeted economies.

1. **Explain the policy adopted by the Chinese government in this case that impacted Nike’s growth in China**

The China government: i) provide tax incentives and grants; ii) provide industrial estates, export processing zones, and other infrastructure; iii) attempt to simplify the bureaucratic procedures facing potential investors; iv) negotiate bilateral tax, trade and investment treaties; and v) create a favorable environment by guaranteeing repatriation of profits, assuring access to imported components, and promising not to expropriate property without compensation.

1. **Examine any three (3) recent policies adopted by any governments/countries that will or has impacted FDIs flows positively**

Resource transfer effects: Foreign direct investment can make a positive contribution to the host country’s economy by supplying capital, technology, and management resources that would otherwise not be available. If such factors are scarce in a country, the FDI may boost that country’s economic growth rate. Many of the MNEs by virtue of their size and financial strength, have access to financial resources not available in the host country firms. These funds may be available from internal company resources, or, because of their reputation, large MNEs may find it easier to borrow money from the capital markets than host country firm would.

Employment Effects: The beneficial employment effect claimed for FDI is that it brings jobs to the host countries that would otherwise not be created there. Direct effects arise when a foreign MNE directly employs host country’s citizen

Balance of Payment: The effect FDI has on a country’s balance of payment accounts is an important policy issue for most host countries. A country’s balance of payment accounts keeps track of both its payment to and its receipt from other countries.

QUESTION FIVE

1. **Examine any three macroeconomic factors that can impact the flow of FDI.**

Unemployment Rate

The unemployment rate indicates the number of unemployed individuals actively seeking a job but are unable to secure any. It affects the business directly because they lack the required skills due to the lack of money to pay for these talents. Also, if fewer people are in the workforce or are not available for work, business owners may have to increase wages to find great skills and keep the existing talent.

Inflation Rate

Inflation refers to an overall increase in the Consumer Price Index (CPI), which is a weighted average of prices for different goods. The set of goods that make up the index depends on which are considered representative of a common consumption basket.

Economy Output

It is a quantity of goods or services produced in a specific time period (for instance, a year). For a business producing one good, output could simply be the number of units of that good produced in each time period, such as a month or a year.

1. **Explore** **the future strategies that Nike needs to adopt in China in the face of the changing macroeconomic situation in the country.**

The future strategies that Nike needs to adopt in China in the face of the changing macroeconomic situation in the country is the Implementation of aggressive expansionary monetary and fiscal policies. Basically, expansionary tools help to augment the supply of money in order to boost economic activities like investments and aggregate demand. Macroeconomic stability exists when key economic relationships are in balance for example, between domestic demand and output, the balance of payments, fiscal revenues and expenditure, and savings and investment.

QUESTION SIX

1. **Examine the various aspect of culture that an International Business Manager should consider.**

Entry into new markets

Conducting international business involves entering new markets. Companies must display sensitivity towards different cultures when dealing with foreign clients or planning a marketing campaign for their foreign subsidiaries. Business executives should start by studying the local market's beliefs, values, and customs.

Business negotiations

Different cultures have distinct perspectives on business negotiations. While some consider negotiations a signed contract between two parties, others view it as the beginning of a strong business relationship. Therefore, you must understand how your counterpart views a negotiation’s purpose, whether they want to build a long-term rewarding relationship or are looking at it as a one-time deal.

Personal styles

Culture in international business strongly influences personal style, from an individual’s dressing sense to interacting with others. Each culture has its customs and formalities for business negotiations and meetings. Hence, knowing the subtleties of foreign cultures and respecting appropriate formalities go a long way in making the right impression and bagging crucial business deals.

Team organization

Culture is a decisive factor that affects how organizations negotiate a deal. While some believe in consensus decision-making, others believe in the supremacy of a single leader who takes all decisions. Whether the culture promotes hierarchical roles or societal equality, these values affect all parties in a business deal. Hence, business executives should understand how teams in different cultures organize and participate in decision-making.

Inclusion and diversity

An organization that welcomes cross-cultural people, ideas, and customs create a benchmark as an inclusive and diverse workspace. Sensitivity and acceptance of diverse cultures help create a dynamic and talented workforce. Plus, these values leave a lasting impression on clients, customers, investors, and stakeholders

1. **Discuss how culture affect international business strategy**.

Interaction

Professional gestures and interactions that are acceptable in one culture may be offensive or inappropriate in a different cultural setup. Thus, if you are accustomed to shaking hands, making eye contact, and kissing people on the cheek as part of formal interactions in your country, the same may not apply to foreign clients and business partners. Learning about acceptable and suitable business etiquette becomes crucial.

Communication

Communication methods vary across cultures. So, understanding the language and communication style of your target market is an excellent way to bridge cultural gaps in the international business arena. For example, Israeli and American cultures emphasize straightforward methods of communication, unlike the Japanese, who rely on indirect communication. Likewise, Finns tend to be brief and use direct communication strategies, whereas Indians typically communicate in indirect and subtle ways.

Organizational hierarchy

Different cultures perceive organizational hierarchy differently. When expanding into new markets, you must realize that your host country’s approach and attitude towards the corporate structure may differ from yours. Hence, it could be challenging to define roles in cross-cultural teams or determine who has the authority on the other side. While Japan has a straightforward organizational structure promoting hierarchy, Sweden has a flat organizational hierarchy that emphasizes equality. Furthermore, while the Chinese and Japanese stress consensus decision-making, it is more common for American teams to have a leader with ultimate authority.

Workplace etiquette

Differences in workplace etiquette are a vital consideration when discussing culture's impact on international business. When you engage with multinational teams, you will encounter stark differences in workplace etiquette, reflecting cultural diversity. Let’s consider punctuality. You must reach in time when dealing with American, Japanese, Russian, or South Korean clients and colleagues. On the other hand, arriving early for an appointment is standard in Germany. But when in Malaysia, China, Mexico, Ghana, or Nigeria, arriving late for meetings is acceptable.

Negotiation Style

While engaging in international business, negotiation becomes a principal component. The way people behave and communicate reflects their negotiation style. Organizations must understand the accepted negotiation norms in different countries and act accordingly. For instance, in some Asian countries, negotiations are deemed crucial for building stronger business relations. However, it is seen as a contract focusing on a win-lose process in Spain.

QUESTION SEVEN

1. **Discuss how this contributed to Nike’s growth in China.**

An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance for the first time. An IPO allows a company to raise equity capital from public investors. Nike China sponsored athletes and sports events to gain brand exposure. Nike anticipated the reach of e-commerce and digital sales channels, opting to cultivate its own digital sales channels for D2C (direct to customers) sales. Nike actively supports content creation and information sharing between Nike fans about its brand

1. **Suggest any three (3) strategies international business managers can adopt to grow their business.**

Global strategy

This approach focuses on standardization as much as possible, including colors, messaging, products, and operations, so they can build repeatable, scalable processes no matter which foreign market they operate in. That means having one brand, one suite of products, and one message from a central headquarters.

Transnational strategy

Transnational businesses operate with a central or head office in one country (the global integration part) and also employ local subsidiaries in international markets (the local responsiveness part). That way, they get the best of both worlds: one overarching brand that provides a cohesive structure and efficient center of operations while optimizing for local market preferences and tastes as needed.

International strategy

A successful international strategy focuses on a single point of operation while exporting products and services around the world. As such, it ranks low on both global integration and local responsiveness. An international strategy is often the first strategy companies use when they expand to secondary markets, and that’s because it’s the most accessible of the four. It’s essentially an extension of your domestic strategy, operating with a central or head office in your home market and exporting your products to target markets.

QUESTION EIGHT

**Do you think lobbying plays a significant role in international business? Discuss.**

The term “lobbying” has traditionally been defined as the “oral or written communication with a public official to influence legislation, policy or administrative decisions. It plays a significant role in international businesses in general because it is a business tactic for influencing government decision making, particularly for businesses facing threats such as a tax hike or a new policy that could damage their product or service. Lobbying gives businesses a voice to influence the policies and regulations that matter to their business.

QUESTION NINE

**Discuss any five (5) possible factors that contributed to the closure of many businesses after the heavy investment.**

1. Overdependence on a few big customers: An overdependence on a few big customers could easily lead to business failure if one of them suddenly pulls out – both cash flow and profit will ultimately be hit. The temptation could then be to offer discounts to that customer; however, this will only lead to poor margins over the longer term. Minimize your risk by increasing your customer base, diversifying your product portfolio and encouraging your customers to sign contracts with a reasonable notice period.
2. Unsustainable growth: In business, slow and steady wins the race most of the time. Expanding too quickly, which usually entails financing on credit like a small business loan, can backfire if the market changes or you hit a rough patch. Trying to take on more business than you can handle drains your working capital and usually results in a quality decline. You are overwhelmed and your product or service suffers. Instead, be smart about which customers you court, and how you will pay back each business loan. Saying no is part of running a business.
3. Poor cash flow management: You may be sick of being told “cash is king”, but it doesn’t change the fact that poor cash flow management can lead to the demise of any business. Indeed, even a profitable business can fall victim to a crippling cash flow crisis, which is often caused by the ineffective management of debtors, high stock levels, bad debt and late invoicing. Inadequate financing – or selecting the wrong type of funding for your business – can also put it on the path to failure. Without access to sufficient growth capital, whether in the form of personal savings, private equity or debt finance, your business may not have the “fuel” it needs to grow.
4. Bad planning and a lack of strategy: “Failing to plan is planning to fail”. Quite simply, long-term planning is key to the success of any business. When mapping out the growth of their business, a business owner needs to conduct market research to establish who their customers are and what they need. They also need to recognize their competitors and be proactive regarding trends, to avoid getting left behind. Just look at the numerous bricks-and-mortar retailers that didn’t adapt quickly enough to changing customer shopping habits and are now struggling or have gone under as a result.
5. Weak leadership: A good leader recognizes the skills they lack or the jobs they do not have time for and either employs, outsources or seeks professional advice to fill those gaps. They will also communicate, direct, reward and offer the opportunity for personal growth to their employees, creating a happy, effective and loyal team. Poor leadership, on the other hand, leads to demotivated and ineffective teams, which can easily cripple a business.