



Multinational Management

All Candidates/ 2021-22 (1)

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CHECK YOU HAVE THE CORRECT QUESTION PAPER

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Multinational Management Final Exam

Part A

In this part you should explain 10 TERMS relevant to MULTINATIONAL MANAGEMENT studies (20points, 2*10).

1. International Business Ethics

Most experts consider business ethics as an application of the broader concern for all ethical behavior and reasoning, which pertains to behaviors or actions that affect people and their welfare. A decision by managers to knowingly sell a useful but dangerous product is an ethical decision.

Ethics deal with the “shoulds” of life—that is, the rules and values that determine the goals and actions people should follow when dealing with other human beings.”

2. Moral Language

Moral language describe the basic ways that people think about ethical decisions and to explain their ethical choices. There are Six basic moral languages identified by Donaldson.

♦ Virtue and vice: This language identifies a person's good or virtuous properties and contrasts them with vices.

♦ Self-control: This language emphasizes achieving perfection at controlling thoughts and actions, such as passion.

♦ Maximizing human welfare: This is the basic language of the utilitarian view, emphasizing the greatest good for the greatest number of people.

♦ Avoiding harm: Like the emphasis on the greatest good for the greatest number, this language of ethics sees good or bad in terms of consequences.

♦ Rights and duties: This language focuses on principles that guide ethical behaviors.

♦ Social contract: The social contract language structures ethics as a form of agreement among people.

3. Competitive Advantage

Competitive advantages occurs when a company's strategy crates superior value for targeted customers and is difficult or to costly for competitors to copy. Generic strategies represent very basic ways in which both domestic and multinational companies achieve and sustain competitive advantages. Porter identifies the two primary generic strategies that companies use to gain competitive advantages.

Differentiation Strategy

Low-cost Strategy



4. Value Chain

According to Michael Porter, the term “value chain” represents all the activities that a firm uses “to design, produce, market, deliver, and support its product.”

The value chain consists of areas where a firm can create value for customers. Better designs, more efficient production, and better service all represent value added in the chain.

5. Distinctive Competencies

Distinctive competencies are the strengths anywhere in the value chain that allow a company to outperform rivals in areas such as efficiency, quality, innovation, or customer service. Distinctive competencies come from two related sources: resources and capabilities.

(I) Resources are the inputs into a company's production or services processes. Resources can be tangible assets, such as borrowing capacity, buildings, land, equipment, and highly trained employees, or intangible assets, such as reputation with customers, patents, trademarks, organizational knowledge, and innovative research abilities.

(II) Capabilities represent the ability of companies to assemble and coordinate their available resources in ways that lead to lower costs or differentiated output.

6. Entry-mode Strategy

The strategies that deal with how to enter foreign markets and countries are called entry-mode strategies. There are several popular entry-mode strategies, including exporting, licensing, strategic alliances, and foreign direct investment.

- Exporting: Exporting is the easiest way to sell a product in the international market. There are two kinds of exporting

Indirect Exporting & Direct Exporting

- Licensing: International licensing is a contractual agreement between a domestic licensor and a foreign licensor.

- International Strategic Alliances:

International strategic alliances are cooperative agreements between two or more firms from different countries to participate in business activities.

- Foreign Direct Investment

Foreign Direct Investment (FDI) means that a multinational company owns, in part or in whole, an operation in another country.

7. International entrepreneurship

An entrepreneur creates new ventures that seek profit and growth. An entrepreneur deals with the risk and uncertainty of new and untested business. New ventures exist when a company enters a new market, offers a new product or service, or introduces a new method, technology, or innovative use of raw materials.

International entrepreneurship refers to the “discovery, evaluation and exploitation of international market opportunities”. Most experts consider entrepreneurship the driving force of all small businesses. Without the entrepreneurial spirit, few small businesses would exist anywhere in the world.



8. Decision-making Control

Decision-making control represents the level in the organizational hierarchy where managers have the authority to make decisions. Upper management seldom makes all the decisions in an organization. In decentralized organizations, lower-level managers make a large number of important decisions. In centralized organizations, higher-level managers make most of the important decisions. In most worldwide product structures, control over the functional and strategic activities (ie., production, finance, marketing, and product strategies) is centralized in the product division headquarters. Local country-level subsidiary managers deal only with local administrative, legal, and financial affairs.

9. Knowledge Management

Knowledge management consists of the systems, mechanisms, and other design elements of an organization that ensure that the right form of knowledge is available to the right individual at the right time. Industry boundaries are ambiguous, and companies are facing intense competition. Product life cycles are being increasingly compressed, and most multinational companies are experiencing severe information overload. To face such challenges, companies must make optimal use of the available knowledge that is, the filtered information of value to a company to build an innovative culture. Knowledge is the most important source of sustainable competitive advantage as multinational companies face shifting markets, rapid product cycles, and hyper-competition.

10. International Joint Venture(IJV)

An international joint venture (IJV) is a self standing legal entity owned by parent International joint companies from different countries; the participating companies have an equity or venture (IJV) ownership position in an independent company. The simplest IJV occurs when two A separate legal parent companies have 50/50 ownership of the venture. International joint venture are becoming increasingly popular as a means for global companies to join forces by sharing resources.

Part B

Answer the following 5 questions (30 points, 6*5) :

11. Identify two or three small business barriers to internationalization and explain how you would go about overcoming these barriers.

There are many barriers for the internationalization of small business. Below I have discussed two of them:

Small in Size: Small size often means limited financial and personnel resources to dedicate to international activities. Small size can also mean a lack of sufficient scale to produce goods or services as efficiently as larger companies. Small companies often have top managers with limited international experience and possibly negative attitudes toward becoming multinational. Such managers view international ventures as too risky and not potentially profitable.

The liabilities of smallness may exit only during the initial internationalization stage. According to some experts suggestions, once someone choose to take on an international venture the sell intensity of small firms may equal or even exceed that of large firms. So, I wouldn't worry about the size but I would focus on the market and boost up the sell.



Language Barrier:

One of the most obvious barrier to entering a foreign market but it shouldn't be underestimated. Not being able to speak the language will limit your ability to do everything from understanding how to operate in the country and getting set up to recruiting staff and attracting customers. It can be a massive headache.

I would hire a consultant native to the country and planning on launching in, as well as on-the-ground fixers to help me with logistics. Adding someone to my team in the Brazil who speaks the language is another great idea.

12. What are the advantages of a worldwide product structure over a worldwide area structure? And what type of company would most likely choose each type?

Worldwide product division structure includes the functions associated with the specific goods or services a product/service division produces. And Global area division structure is used for operations that are controlled on a geographic rather than a product basis.

The advantages of worldwide product structure over a worldwide area structure are given below:

- ◆ In worldwide product structure each product division assumes responsibility for producing and selling its products or services throughout the world.

- ◆ The product structure therefore supports strategies that emphasize the production and sales of worldwide products.

- ◆ It is usually considered the ideal structure to implement an international strategy, in which the company attempts to gain economies of scale by selling worldwide products with most of the upstream activities based at home.

- ◆ The worldwide product structure supports international strategies because it provides an efficient way to organize and centralize the production and sales of similar products for the world market.

- ◆ This type of structure sacrifices regional or local adaptation strengths derived from a geographic structure to gain economies of scale in product development and manufacturing.

The companies which focus on the emerging market around the globe they usually choose global area structure. For example, Cisco is now focusing Middle East, Africa, Asia Pacific, Russia, Caribbean because they are investing in their networking infrastructure. On the other hand, company like Ford motor, Boeing choose global product structure to make product cost efficient and also good supply.

13. What are the characteristics of a good partner in a strategic alliance? How do these partner traits help make an alliance successful?

The success or failure of strategic alliance depends on how well the partners get along. Some characteristics of a good partner and how it helps to make an alliance successful are given below:

Strategic Complementary: Prospective partners

must have a good understanding of each other's strategic objectives for the venture. It is not necessary, however, that partners have the same objectives. Although similar strategic objectives, such as rapid growth, are beneficial, objectives can be complementary.

Complementary skills: Partners must contribute more than money to the venture. Each partner must contribute some skills or resources that complement those of the other partner.



#Compatible management styles: Weinstock noted that for alliances to succeed “You have to suppress the ego—it’s absolute poison in a joint venture.”.

Right level of mutual dependency: Mutual dependency means that companies must rely on each other to contribute to the relationship. With a good match, partners feel a mutual need to supply their unique resources or capabilities to the alliance. Both partners see their contribution as critical to the success of the relationship and ultimately to the success of the alliance.

Avoid the so-called anchor partner: Anchor partners hold back the development of a successful strategic alliance because they cannot or will not provide their share of the fund.

Be cautious of the elephant-ant complex: The elephant-and-ant occurs when two companies are greatly unequal in size.

Assess operating policy different with potential partners: For the strategic alliance to function smoothly, before the strategic alliance comes into operation, partners should agree on mutually satisfactory operational policies.

Asses the difficulty of cross-cultural communication with a likely partner: Even if partners speak each other’s language, cross-cultural communication is never as easy as it is within one’s own culture or organization.

14. Identify the steps in the negotiating process and which step do you think is the most important? Why?

There are total Seven steps in international negotiation. All of them are given below:

Preparation

- Building the Relationship
- Exchanging information and the first Offer
- Persuasion
- Concession
- Agreement
- Post-agreement

I think persuasion is the most important step because it is considered the heart of the negotiation process. In the persuasion stage, each side in the negotiation attempts to get the other side to agree to its position. One should know How to persuade others to accept one's opinion. One also needs to know how to work effectively Persuade others to change their minds. Individuals requires to follow different types of tactics like, standard verbal and nonverbal negotiation tactics sometime other follow some dirty tricks to persuade the deal. So it is very important to be familiar with all the tactics. Displaying emotion is serious role in terms of creating first impression and the eventual acceptance of an offer. Knowledge about cultural difference is a big advantages, so a person must have a clear idea about the opposite party’s culture. Promise, Reward, Warning, Commitment, Refusal, Self-disclosure and Interruption are some verbal tactics people might use during a persuasion. Successful international negotiators recognize and deal with dirty tricks and other polys. A negotiators must stick to his standards and avoid using tricks which encourage counterparts to more forthright and in the final negotiation bring the process to a successful conclusion.



15. From the perspective of the subordinates, discuss why culturally inappropriate leadership behaviors might be demotivating.

Leaders cannot lead without the cooperation of subordinates. The national context also affects subordinates' expectations regarding who can be a leader, what a leader should do, and what a leader may or may not do. All levels of culture national, business, occupational, and organizational influence the types of leader behaviors that subordinates consider appropriate or fair. For example, at the level of organizational culture, even university students differ in the range of leader behaviors they perceive as acceptable for professors. Just as a leader's behaviors communicate his or her person or task orientation, subordinates accept or reject certain behaviors as legitimate prerogatives of leadership. For example, North American workers consider leadership behaviors associated with applying pressure to work, considered normal in Japan, as harsh or punitive."

The cultural and institutional settings provide a framework for people to interpret leader behaviors. For example, labor relations laws in some European countries mandate that managers consult with workers regarding key strategic issues, such as plant closures. At the level of national culture, Hofstede suggests that the cultural value of power distance has profound effects on subordinates' expectations regarding leaders."

In countries with high power-distance values, including many of the Latin and Asian countries, subordinates expect autocratic leadership. The leader often assumes the status of a father figure and acts as a caring but authoritarian master. A leader is different and is expected to show visible signs of status. In low-power-distance countries, such as Sweden and Norway, subordinates expect the leader to be more like them. Good leaders should involve subordinates in decision making and should forgo excessive symbols of status.

In conclusion creating a good relation between subordinates and leader, in some culture inappropriate behavior is demotivated.

Part C

16. In this part, please select an agricultural or industrial product produced in your region of the country and specify how you will take it international. (50 points)

My country Bangladesh is mainly riverine country located in South Asia with a coastline of 580 km (360 mi) on the northern littoral of the Bay of Bengal. The delta plain of the Ganges (Padma), Brahmaputra (Jamuna), and Meghna Rivers and their tributaries occupy 79 percent of the country. So, Bangladesh is rich with the fish farming specially, Shrimp and Prawn.



But the price of this fish in our country is lower than the foreign countries like, average price is \$2.5-\$6/(Kilogram). I would like to export this fish in other countries where the price is higher than our country. The steps I will follow to pick a market are given below:

1.Screening Potential Markets:

- ◊ I will get statistics that show the extent of the Shrimp exported to or produced in potential countries.
- ◊ I will identify five to ten countries with large and fast-growing markets for the products. Examine the trends in the market in past years and in different economic circumstances.
- ◊ I will identify additional countries with small, newly emerging markets, which may provide first mover advantages.
- ◊ I will target three to five of the most promising markets. Mix established markets with emerging markets, depending on management's tolerance for risk.

2. Assess targeted markets:

- I will examine market trends for the company's products or services and for related products or services that could affect demand.
- I will identify demographic trends (e.g., income, age, education, population, etc.) that identify the users of the Shrimps.
- I will estimate the overall consumption of the Shrimps and the supply provided by foreign and domestic producers.
- I will identify sources of competition from domestic producers and other foreign competitors, including price, quality, features, and service.



- Identify local channels of distribution.
- Assess what modifications of the Shrimps are required.
- Identify cultural differences that may influence participation strategies.
- Identify any foreign barriers to exporting or other participation options (e.g., tariffs, limitations on percentage of ownership, home country export controls, etc.).
- Identify any foreign or home country incentives to enter the market.

3. I will draw the conclusion and make a choice.

Getting Connected to the International Market

To go international, I must find ways to reach the foreign customers, either by direct contacts or by teaming up with foreign partners(distributors, joint venture or licensees) who deal with the ultimate customers. There are some standard techniques that I would follow to contact customer:

Trade Show: As national and international trade show give small businesses inexpensive mechanism to contact potential customers or business partners. Trade shows give business the opportunity to set up displays of their products and to provide brochures and other documents that describe their product or service.

Catalog Exposition: Catalog exposition are similar to trade show except that a business does not have its product or people at the show, but rather product catalog, sales brochures, and other graphic presentation of goods.

International advertising agencies and consulting firms: International advertising agencies and consulting firms have offices throughout the world, often with specialists in different products or services. International advertising agencies can provide advertising and promotional services geared to a particular national environment. Consulting firms often have a good knowledge of local regulations, competitors, and distribution channels, but a business that uses these services can expect to pay significant compensation. However, local market expertise and contacts may make the expenditure worthwhile.

Government-sponsored trade missions: To foster growth in international trade, governments often sponsor trade missions, which represent companies or industries looking to open new



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markets in the countries visited. Host governments usually provide introductions to potential local sales representatives, distributors, and end users.

Direct contact: Although the option is often more difficult and costly, small business entrepreneurs and managers can seek channel partners, joint venture partners, and end users directly. If the managers/entrepreneurs can find key intermediaries that is, potential alliance partners or distributors or can directly access potential customers, then direct contact may work best.

Beyond these methods, the Web also provides access to prospective customers. So, for landing on the international market I would first choose one of above option if that does not work then rest of the options. For, small business starting is the most hardest part for every entrepreneur. If start my business and follow the steps, I think, I would be successful which will not only give me purpose of business but also will create a huge amount of job opportunity in my country.

END OF PAPER