MMS - III University paper - 2014 Date - 25 Nov. 2014

International Business

Common for All

(FUR REV & CBSGS) QP Code : 17537

(3 Hours) [Total Marks : 60

N.B : (1) **Question No.1** (Case) is **compulsory**, and carries **20 marks.**

(2) Answer any **four** questions out of the remaining **six** questions.

(3) **Each** of these questions (other than question 1) has **internal** choices **(a)** or **(b)**. Please answer any **one** from **(a)** and **(b)** only. Each question carries **10 marks.**

(4) In **all**, answer **five** questions, **including** Question 1.

1. Case Study : (Compulsory) 20

For much of its 144-year history, Diebold Inc. did not worry much about international business. As a premier name in bank vaults and then automated teller machines (ATMs), the Ohio-based company found that it had its hands full focusing on U.S. financial institutions. By the 1970s and 1980s, the company's growth was driven by the rapid acceptance of ATM in the United States. The company first started to sell ATM machines in foreign markets in the 1980s. Wary of going it alone, Diebold forged a distribution agreement with the large Dutch multinational electronics company Philips NV. Under the agreement, Diebold manufactured ATMs in the United States and exported them to foreign customers after Philips had made the sale.

In 1990, Diebold pulled out of the agreement with Philips and established a joint venture with IBM, called Interbold, for the research, development, and distribution of ATM worldwide. Diebold, which owned a 70 percent stake in the joint venture, supplied the machines, while IBM supplied the global marketing, sales, and service functions. Diebold established a joint venture rather than setting up its own international distribution system because the company felt that it lacked the resources to establish an international presence. In essence, Diebold was exporting its machines via IBM's distribution network. Diebold's switch from Philips to IBM as a distribution partner was driven by a belief that IBM would pursue ATM sales more aggressively.

By 1997, foreign sales had grown from the single digits to more than 20 percent of Diebold's total revenues. While sales in the United States were slowing due to a saturated domestic market, Diebold was seeing rapid growth in demand for ATMs in a wide range of developed and developing markets. Particularly enticing were countries such as China. India. and Brazil, where an emerging middle class was starting to use the banking system in large numbers and demand for ATMs was expected to surge. It was at this point that Diebold decided to take the plunge and establish its own foreign distribution network.

As a first step, Diebold purchased IBM's 30 percent stake in the Interbold joint venture. In part, the acquisition was driven by Diebold's dissatisfaction with IBM's sales efforts, which often fell short of quota. Part of the problem was that for IBM's salespeople, Diebold's ATMs were just part of their product portfolio, and not necessarily their top priority. Diebold felt that it could attain a greater market share if it gained direct control over distribution. The company also felt that during the previous 15 years it had accumulated enough international business expertise to warrant going it alone.

Diebold's managers decided that in addition to local distribution, they would need a local manufacturing presence in a number of regions because local differences in the way ATMs are used required local customization of the product. In parts of Asia, for example, many customers pay their utility bills with cash via ATMs. To gain market share, Diebold had to design ATMs that both accept and count stacks of cash via ATMs. To gain market share, Diebold had to design ATMs that both accept and count stacks of upto 100 currency notes and weed out counterfeits. In other countries, ATMs perform multiple functions from filing tax returns to distributing tickets. Diebold believed that locating manufacturing close to key markets would help facilitate local customization and drive forward sales.

To jump-start its international expansion, Diebold went on a foreign acquisition binge. In 1999, it acquired Brazil's Procomp Amazonia Industria Electronic, a Latin American electronics company with sales of $400 million and a big presence in ATMs. This was followed in quick succession by the acquisitions of the ATM units of France's Groupe Bull and Holland's Getronics, both major players in Europe, for a combined $160 million. In China, where no substantial indigenous competitors were open to acquisition, Diebold established a manufacturing and distribution joint venture in which it took a majority ownership position. By 2002, Diebold had a manufacturing presence in Asia, Europe, and Latin America, as well as the United States and distribution operations in some 80 nations, the majority of which were wholly owned by Diebold. International sales accounted for some 41 percent of the company's $2.11 billion in revenues in 2003, and were forecast to grow at double-digit rates.

Interestingly, the acquisition of Brazil's Procomp also took Diebold into a new and potentially lucrative global business. In addition to its A TM business, Procomp had an electronic voting machine business. In 1999, Procomp won a $105 million contract, the largest in Diebold's history, to outfit Brazilian polling stations with electronic voting terminals. Diebold's management realized that this might become a large global business. In 2001, Diebold expanded its presence in the electronic voting business by acquiring Global Election Systems Inc., a U.S. company that provides electronic voting technology for states and countries that want to upgrade from traditional voting technology. By 2003, Diebold was the 'global leader in the emerging global market for electronic voting machines, with sales of more than $100 million.

Questions (Case Study):

1. Before 1997, Diebold manufactured its ATM machines in the United States, and sold them internationally via distribution agreements, first with Philips NV and then with IBM. Why do you think Diebold chose this mode of expanding internationally? What were the advantages and disadvantages of this arrangement?
2. What do you think prompted Diebold to alter its international expansion strategy in 1997 and start setting up wholly owned subsidiaries in most markets? Why do you think the company favored acquisitions as an entry mode?

3. Diebold entered China via a joint venture, as opposed to a wholly owned subsidiary. Why do you think the company did this?
4. Is Diebold pursuing a global standardization strategy or a localization strategy? Do you think this choice of strategy has affected its choice of entry mode? How?

2. International Business is more complex than Domestic Business". Discuss with suitable examples. **10**

OR

2. Discuss any 4 (four) theories of International trade with suitable examples. **10**

3. 'China attracts several times the FDI as India'. Discuss. **10**

OR

3. What are Multinational Corporations? Explain the various types of organizational structures that MNC's follow with corporate examples for each structure. **10**

4. 'Globalization has led to huge income disparities.' Discuss. **10**

OR

4. Explain Michael Porter's Diamond Model of National competitive advantage. Briefly explain how this model can be used to analyze Indian Food Processing Industry. **10**

5. Discuss ASEAN and SAARC with special emphasis on their trade relations with India and their importance to India. **10**

OR

5. Discuss issues pertaining to India's stand on Intellectual Property Rights (IPRs). Why this has led to friction with US and EU? **10**

6. Explain EPRG [Ethnocentric, Polycentric, Regiocentric, and Geocentric] orientation of management models with suitable examples of MNCs operating in India. **10**

OR

6. Besides Economic factors, which other factors have a bearing on International business? Substantiate your answer with suitable examples. **10**

7. Write short notes (any **two**) : **10**
   (a) Role of SAARC in India's international trade
   (b) Relevance of 'Make in India'
   (c) World Bank and its role in International Business
   (d) International Human Resource Management
