VPM's
DR VN BRIMS, Thane
Programme: MMS (2018-20)
Third Semester Examination October 2019

Subject	International Business (Common Subject For All)		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	3	Date	17.10.2019

		Instructions:-	Marks
		• **Q. No 1** is compulsory. • Attempt **Any Four** from the Remaining Six Questions. • Figures to the right indicate marks in full.	
Q. 1		Case/Case-let Study	**20**

The P&G Fiasco

The break-up of the alliance between the American FMCG (Fast Moving Consumer Goods) giant, Procter and Gamble (P&G), and the leading Indian Business group, Godrej in 1996 is a case that does down in the history of corporate India as an event few would like to forget.

In 1992, the two firms announced formation of a strategic alliance that seemed to hold great promise for both the companies. As a part of the deal, the two companies set up a marketing partnering venture, P&G-Godrej (PCG). David Thomas, P&G's Country manager was appointed as the CEO and Adi Godrej the head of the Indian Company became the Chairman.

To begin with everything looked bright and promising for the alliance. Both the partners were well-known names in the consumer goods industry.

Modalities were worked out very well. P&G paid Godrej nearly Rs. 50 crore to acquire its detergent brands-Trilo, Key and Exee. P&G on its part, gave a commitment that it would utilize Godrej's soap making capacity of 80,000 tpa (tonnes per annum). Godrej was allowed to complete its existing manufacturing contracts for two other MNCs, Johnson and Johnson and Reckitt and Coleman but would not take up any new contracts. P&G on its part, would not appoint any other supplier until Godrej's soap making capacity had been fully utilized. Godrej transferred 400 of its salespeople to the alliance venture. P&G acted quite fast in finalizing the alliance lest arch rival Hindustan Lever would move in, if it did not.

P&G gained access to the manufacturing facility of Godrej. It would have taken a couple of years to set up to implement a project on its own. Godrej also had expertise in vegetable oil technology for making soaps. Vegetable oils like palm oil and rice bran oil can only be used in India for making soaps as beef tallow is banned. Godrej also had a network of retail outlets which were through open for P&G. Even though P&G was not a stranger to India, its Indian operations were essentially those of the erstwhile Richardson Hindustan, which was mainly known for the famous Vicks, a pharmaceutical product. The non-pharma distribution network of Godrej was of immense benefit to P&G. Godrej

had excess manufacturing capacity, which proved to be a burden and the company, was struggling to find ways of utilizing the excess facility. Godrej also hoped to access superior technology and managerial skills of P&G.

The alliance became operational in April 1993. As soon as the alliance became operational, P&G Engineers introduced new systems such as Good Manufacturing Practices and Materials Resource Planning in Godrej Plants. The two companies seemed to show a considerable amount of sensitivity to the cultural differences between them. For about a year, it looked as though things are going fine. Thereafter, elements of distrust began to surface and the two firms found the differences in management styles too significant to be brushed aside. By December 1994, rumors were rife that P&G and Godrej did not see eye to eye on many key issues.

One reason why the relationship soured was that the performance did not match the expectations. In 1992, Godrej had sold 29,000 tons of soap. This increased to 46,000 in 1994 but fell sharply to 38,000 tons in 1995. While sales did not rise as expected, costs were increasing. Due to the cost plus agreement, Godrej had little incentive to cut costs. Informed sources were of the opinion that Godrej was charging Rs. 10,000 more per ton than the expected processing costs.

To compound the problem, Godrej expressed its dissatisfaction on the ground that P&G did not promote bands like Trilo and Key. It was also unhappy with P&G’s methodical and analytical approach as opposed to its own intuitive methods of launching brands at great speed. P&G, on its part, felt that there was little logic or coordination in Godrej’s brand building exercises. By mid-1994, differences became sharp between the partners, an a senior executive, HK Press, on deputation to the joint venture, was quietly eased out and sent back to the Godrej Group Company.

The year 1996, as stated earlier, saw the termination of the alliance. The two companies would have little to do with each other, except for Godrej continuing to make Camay for P&G for two more years and providing office space to P&G at its Vikhroli Complex. PGG would be taken over by P&G, which would also retain the detergent brands, Trilo, Key and Ezee. Most of the PGG’s 550 people and the distribution network consisting of some 3000 stockists would stay with P&G. Godrej would absorb about 100 sales people and get back its seven soap brands, which had been leased to PGG.

Questions:

1. What according to you are the factors that favored the alliance between P&G and Godrej? (10 Marks)
2. What went wrong with the joint venture? Why did it break up within four years of its formation? What signals does this joint venture fiasco send to other foreign investors? (10 Marks)

Q. 2		Answer **Any two** from the following.	**5x2 = 10**
	a.	Summarize the six dimensions of globalization? Which of these do you think is the most visible manifestation of globalization?	
	b.	What are the worlds’s leading economic blocks? Name atleast 3 blocks with justification as to why these blocs are most advanced in terms of regional integration?	
	c.	Explain the nature, role and risks involved in countertrade?	

Q. 3		Answer **Any two** from the following.	**5x2= 10**
	a.	What are the major types of nontariff trade barriers? Suggest business strategies for minimizing the effect of nontariff trade barriers.	
	b.	Explain EPRG framework with examples.	
	c.	Explain why firms want to do business in emerging markets. What makes these markets attractive?	
Q. 4		Answer **Any two** from the following.	**5x2 = 10**
	a.	Describe the various methods used for evaluation and selecting countries as markets.	
	b.	Why is it necessary for an organization to understand various legislations under WTO? Justify the answer with relevant examples.	
	c.	"One of India's major attractiveness as an investment destination is its vast pool of skilled and professional workforce. However India is yet to catch the eye of foreign investors as an export platform or a manufacturing base". Do you agree with this statement? Justify your answer will suitable illustrations	
Q. 5		Answer **Any two** from the following.	**5x2 = 10**
	a.	Global strategic partnerships have led to relevant value creation for Indian consumers. Discuss with examples	
	b.	Evaluate the major reasons for the increase in the number of multinational from rapidly developing economies.	
	c.	Discuss "Make In India" with relevant examples.	
Q. 6		Answer **Any two** from the following.	**5x2 = 10**
	a.	What is the role of FDI, licensing and joint ventures in reducing the impact of import tariffs?	
	b.	Please explain the US-China trade war and its possible economic impact on India.	
	c.	What is International human resource management (IHRM)? What is the role of IHRM in company strategy?	
Q. 7		Answer **Any two** from the following	**5x2 = 10**
	a.	How WTO has been beneficial to the Indian Economy. Discuss	
	b.	Describe the various risks and challenges encountered in developing countries with suitable examples.	
	c.	Define Country Risk. Explain the framework of analysis of studying a country for the purpose of International Business and evaluation of Country Risk. Please support your answer with relevant examples.	