MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

MAIN CAMPUS UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

MAIN EXAMINATIONS

FOR THE DEGREE OF PhD IN BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION)

COURSE CODE: PBA 905

COURSE TITLE: INTERNATIONAL BUSINESS STRATEGY
DATE: TUESDAY 9TH APRIL 2024 TIME: 2.00-5.00 PM

INSTRUCTIONS TO CANDIDATES

1. Answer question **One** and any **other Three** Questions
2. Do not write anything on the question paper

TIME: 3 HOURS

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

QUESTION ONE

Electronics International, Ltd., is a large consumer electronics manufacturer based in Southampton, England. Its product line consists of CD players, DVD players, home entertainment systems, and so on. Annual sales in 2020 were $186 million, 44 percent of which came from overseas sales. Most of the company's exports went to developing countries in Asia and Africa, with a small percentage of its products going to Turkey and Greece. Its most important export market is Zempa, a relatively prosperous developing country in the western part of Africa. Exports to Zempa total nearly 26 percent of all export revenues and have been showing an upward trend for the past six years. Total sales to Zempa in 2021 were $120 million, up from $40 million in 2014 and $110 million in 2020. The company controlled approximately 20 percent of the audio products market in Zempa, with the rest being taken up by other competitors, all of whom were overseas corporations. Zempa has no audio products manufacturing industry, and all domestic requirements were met through imports. Electronics International was the third largest player in the Zempa market, with the top two slots being occupied by a German company and a Japanese company. Electronics International's products were well established and enjoyed considerable customer loyalty.

Recently, some problems have emerged. The government of Zempa has become increasingly concerned about the relatively backward state of its manufacturing industry and wants to rapidly industrialize the economy by attracting overseas investment in key sectors. One of the important priorities for the Zempa government in this connection is the consumer electronics industry. As a part of its policy to develop the local economy by stimulating domestic manufacturing activity, the Zempa government inquired with each of the major exporters of consumer electronics products about setting up domestic production facilities in Zempa. The managing director of Electronics International received a letter from the Zempa government, inviting the company to set up a manufacturing facility in Zempa, and promising considerable official assistance should the company decide to do so. Electronics International was asked to evaluate this offer and to reply within three months. The Zempa government said that the other leading suppliers were also considering setting up local manufacturing establishments in Zempa. The idea of setting up a manufacturing operation in Zempa did not appeal initially to the managing director of Electronics International. The company was doing well as an exporter and sales had been increasing each year. The managing director was about to dictate a letter thanking the government for the invitation to set up a factory and conveying the company's decision to stay on only as an exporter, when he decided to consult Bill McLowan, the strategic planning director at Electronics International who differed with the thoughts of the managing director and insisted that direct investment was the way to go. McLowan's idea seemed to open a new line of thought, but it did not convince the managing director who then asked his secretary to organize a meeting of the international investment committee to discuss the issues of exporting and direct investment in Zempa.

Required;

a.Being a consultant in International business you have been approached to advise Electronics International on;

i.whether it should continue exporting or engage in direct investment. Give reasons.

behavior of a population, which makes each social environment different. Discuss succinctly the elements of culture. (10 marks)

c. The most important resource of any successful business is the people who comprise it. Explain three international staffing policies that may be used by international corporations. (6 marks)

QUESTION FIVE

a.Discuss the roles that ECOWAS plays in shaping and moulding the international business environment. (10 marks)

b.You have been appointed as a consultant of Broom ltd which is a manufacturer of toys interested in beginning export operations, to advise on the economic indicators which can be used to analyze country opportunities. (10 marks)

(4 marks)

ii. Any other alternative entry modes that Electronics International may opt for. (10 marks)

iii. The factors to be considered when selecting an entry mode. (6 marks)

b. Distinguish between multidomestic strategy and transnational strategy and explain the benefits of multidomestic strategy. (8 marks)

c. Explain the legal areas of concern that a global corporation should consider. (6 marks)

d. Describe the differences between the theories of mercantilism and factor endowment and highlight four fallacies of the factor endowment theory. (6 marks)

QUESTION TWO

a.Certain arguments surround the impositions of restriction in international trade by the governments. Discuss. (10 marks)

b.International business is bedeviled by multiple risks amongst them being the political risk. Identify the political risks and explain the ways of managing them. (10 marks)

QUESTION THREE

a.Critically examine why international business has become so important in today's environment. With the aid of illustrations. (10 marks)

b.Concerns for the environment have wide-ranging implications for MNCs in both their home and host countries because not only are MNCs affected by general environmental guidelines but they are viewed as one of the prime sources of danger to the world's environment. Discuss ways In which MNC's may exploit the environment. (10 marks)

QUESTION FOUR

a.Discuss the differences between a free market economy and a centrally planned economy. (4 marks)

b. When businesses cross-national borders, they face a diversity of societies and cultures quite different from their own. *Culture* is the entire set of social norms and responses that dominates the