UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER I
SESSION 2014/2015

COURSE NAME	:	INTERNATIONAL BUSINESS
COURSE CODE	:	BPB 33703
PROGRAMME	:	4 BPA
EXAMINATION DATE	:	DECEMBER 2014/JANUARY 2015
DURATION	:	2 HOURS 30 MINUTES
INSTRUCTION	:	ANSWER **ALL** QUESTIONS

THIS QUESTION PAPER CONSISTS OF **FOUR (4)** PAGES

Q1 THE TOLEDO BICYCLE COMPANY: PEDDLING INTO EASTERN EUROPE

Hans Kohl immigrated to the United States in 1892 and shortly thereafter began to manufacture and sell bicycles out of his Toledo, Ohio, home. The company became an overnight success because of the strong demand for bicycles at the time and the exceptional quality of the bike produced by Kohl. The business was later named the Toledo Bicycle Company (TBC) and the company has remained in the hands of the Kohl family up to the present day. By 1950 the company was selling over 700,000 bicycles a year and commanded a 25% share of the market. By 1985, market share had dropped to just a little over 5%, and the company was desperately seeking ways to reduce costs and increase sales. The brand name was still strongly associated with quality bikes by consumers; however, the product was considered stogy.

Unable to reduce labor costs significantly in the Toledo plant, the company began to look internationally for a low-cost production site. In 1989 the company entered into a joint venture agreement with a Hungarian bicycle manufacturer. The Hungarian Bike Company (HBC) had a good reputation for quality in Hungary and its labor costs were only a fraction of the current labor costs of TBC. Compared to other Eastern European workers, it was felt that Hungarian workers were less militant and strike prone.

The initial agreement called for TBC to import component parts to Hungary, where the bicycles would be assembled and sold throughout Eastern Europe. TBC would provide component parts and design, and HBC would assemble and market the product. Hungarian managers would run the plant as an autonomous unit. TBC hoped to later export bicycles from Hungary into the United States to be more cost competitive. It was felt that if production costs could be significantly reduced, TBC bikes could be sold through mass merchandisers in the United States and the company could once again regain its leadership role in the industry.

The negotiations for the joint venture agreement became more complex than TБC had planned. The collapse of the Soviet Union brought uncertainty and, in some cases, chaos to Eastern European governments. International joint venture laws were constantly changing and no one seemed to know the specifics of the law. Finally, in 1991, an agreement was reached and production began.

From the start, the joint venture experienced problems with production. Managers of the old Hungarian Bike Company had been trained in a system that rewarded output and paid scant attention to quality issues. TBC was surprised by the low level of quality output at the plant, given the good reputation HBC had in Hungary. When a total quality management (TQM) program was initiated at the plant, only marginal improvements resulted. When the same program had been implemented at TBC in the United States, quality had improved substantially.

Productivity was also a problem in Hungary. Workers were prone to absenteeism and seemed to care little about their jobs. Even though their wages had been raised because of the association with TBC, workers did not appear to be very motivated. TBC estimated that the productivity level at the Hungarian plant was about half the productivity level at the American plant.

In 1992 the Hungarian government increased tariffs on imported parts, raised the value added tax (VAT), and instituted an import- handling charge. These additional taxes significantly increased the costs of production for the Hungarian bicycles.

Faced with further deterioration in its U.S. market share, lower than expected sales in Eastern Europe, and rising production costs, the company went into debt, and by 1995, TBC had declared bankruptcy.

Analyze **FIVE (5)** common objectives in a joint venture in which the Toledo Bicycle Company (TBC) should consider in the strategic plan.

(25 marks)

Q2 (a) **Burger King**

Burger King is the world's largest flame-broiled fast-food restaurant chain with 12,000 restaurants in all 50 states and it operates in 74 countries and territories. Even with all this global expansion, it is still in less than 40 percent of the world's countries, providing many opportunities. Burger King differentiates itself in two ways, the flame-broiled cooking method and the flexibility it offers customers popularized by its "have it your way" marketing theme. Expansion is normally done through franchising, but if a market is sufficiently attractive and not ready for franchisees, they will enter with owned operations. Some global expansion has not gone well, but when conditions changed they have reentered these markets, for example in Colombia. Like so many companies, they have expanded into the BRICs and are evaluating if the Brazilian expansion model can make them successful in Russia.

Determine **THREE (3)** risks that an international restaurant company such as Burger King would have by operating abroad rather than just domestically.

(15 marks)

(b) Globalization affects international business activities, industries, and products differently. Some companies market an identical product worldwide, whereas others must adjust marketing strategies across national markets.

Explain **TWO (2)** reasons for firms to alter their products either to standardized and/or differentiated among countries.

(10 marks)

Q3 (a) Regional integration is commonly uses as a platform for countries to leverage opportunities for international business.

Explain **FOUR (4)** key success factors for this regional integration.

(10 marks)

(b) Global, Transnational, International and Multidomestic are four organizational strategies alternative for international business firms.

Analyze each strategy alternative with examples in relation to the need to adapt to the pressure for global integration and pressure for local responsiveness.

(15 marks)

Q4 (a) A properly implemented Corporate Social Responsibility (CSR) concept can bring along a variety of competitive advantages.

Explain **TWO (2)** CSR means from the international business perspective

(10 marks)

(b) The global market value for trade in Halal foods is estimated at US$547 billion a year. This large market has created interest from food producing countries worldwide. In this respect, Malaysia has the edge in being recognized internationally as a progressive Muslim country, where it has the potential of becoming a major producer of Halal food products (Malaysia 3rd Industrial Master Plan). To realize this potential, apart from the commitment and support by the Government, the food-based Halal industries are shown to be focusing their efforts in producing and exporting Halal food products.

Analyze how Halal certificate could enhance the marketability of product's safety.

(15 marks)

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