



## Course information 2015–16

# MN1178 Business and management in a global context

The course provides an introduction to business and management with particular emphasis on their international dimension.

### Aims and objectives

This course specifically aims to:

- give you a research-based grounding in the context of international business including globalising trends, formal and informal institutions, the political, economic, social, technological and legal issues and the resultant diversity of international business
- prepare you to be able to discuss cultural, ethical and social issues for international business and suggest policies of corporate social responsibility
- provide an introduction to and develop your ability to assess international trade and investment, multilateral organisations and regional integration and the global financial system
- prepare you to be able to discuss how firms develop international business, marketing and R&D strategies, enter markets and alliances, and operate and manage on the global stage
- give insight through frameworks, studies and examples of how businesses manage organisational structure and architecture, sourcing and the supply chain, information systems and human resources, in different parts of the globe, globally, regionally and domestically
- give you insight into the contexts of international business and enable you to work within these contexts to make judgements on strategizing and managing operations in the global economy.

### Learning outcomes

At the end of the course and having completed the essential reading and activities students should be able to:

- demonstrate knowledge of, and the ability to assess, core institutions of international business and how firms manage on the global stage
- assess regional, cultural and institutional differences in how business is conducted globally
- apply core understandings, frameworks and management principles to specific business contexts
- formulate choices and decisions in international business strategy and operations
- operate as an informed employee in an international firm.

### Assessment

This course is assessed by a three hour unseen written examination.

### Essential reading

For full details, please refer to the reading list

Peng, M. and Meyer, K. (2011) International Business. Cengage Learning EMEA

Willcocks, L. (2013) Global Business Management Foundations. Brookes Publishing

Students should consult the *Programme Regulations for degrees and diplomas in Economics, Management, Finance and the Social Sciences* that are reviewed annually. The Prerequisites, Exclusions, and Syllabus are subject to confirmation in the *Regulations*. Notice is also given in the *Regulations* of any courses which are being phased out and students are advised to check course availability.

## Syllabus

This is a description of the material to be examined, as published in the *Regulations*. On registration, students will receive a detailed subject guide which provides a framework for covering the topics in the syllabus and directions to the essential reading

### **Part 1: Introduction to the global business environment**

**Perspectives on globalisation and international business:** trends and drivers of globalisation, foundations of global trade and finance, overview and framework for understanding the global economy, the development of the multinational enterprise (MNE), debates on the nature and impacts of globalisation, and the implications for managing international business.

**Political, economic and legal environments:** common and diverse; political, economic and legal; formal and informal institutions and how they contextualise and shape management practices and the conduct of business. This includes comparing national economies, regional integration, international organisations, and relationships between government and business. The chapter introduces the CAGE and Porter Diamond frameworks for analysing business management environments.

**Culture society, ethics and corporate social responsibility:** informal institutional influences of social, cultural, ethical and religious factors and how these play into globalisation, rendering a necessary focus on balancing global, regional and local factors when conducting business internationally. The chapter discusses differences and types of culture, and religion and the different types of ethics and attitudes towards corruption and corporate social responsibility to be found.

### **Part 2: Business across borders: the foundations**

**International trade and investment – theory, patterns, growth of and rationale for foreign direct investment.**

**Global and regional integration and multilateral organisations:** the different levels of regional integration found across the globe, and the benefits and challenges of regional integration. It describes regional integration in Europe, the Americas, Asia and Middle East and North Africa.

**The global financial system:** the international capital market, foreign exchange markets and related institutions.

**Exchange rates and the international monetary systems**

### **Part 3: International business strategy**

**Strategy and the enterprise in international contexts:** introduction to international business management strategy. the PESTEL framework and Ghemawat's culture, administration, geography, economy (CAGE) framework as a basis for

analysing the international environment for a firm, types of strategy commonly pursued in international business, how such strategies evolve, Ghemawat's aggregation, arbitrage and adaptation (AAA) framework as a basis for designing strategy for international contexts.

**Competitive strategy for international business:** concepts of corporate and business strategy, how firms compete through competitive positioning and resource-based approaches, dynamics of competition, the global, regional and local dimensions in strategy, Porter's five forces, value chain and generic strategies frameworks, resource-based and institutionbased approaches to international competitiveness.

**Entry strategies, alliances and evolution:** foreign entry strategies, including where, when and how to enter international markets, the strategies to be pursued, the contextual factors that need to be taken into account, the role of strategic alliances in entering and positioning in international markets, how to organise operations given the choices made, evolving the global strategy, including growth by acquisition.

**Marketing and R&D strategy:** international marketing assessment, international consumers, developing marketing strategy, the 4 'P's mix of place, price, product and promotion, and global branding, new product and market development, distribution and supply chain issues, R&D and sources of innovation including R&D offshoring.

### **Part 4: International business management**

**Organisation of international business:** different types of organisational structure and how they relate to processes, institutions and culture, includes divisionalisation, matrix and hybrid structures, organisational change issues.

**Global sourcing of production and services:** global sourcing choices, make-or-buy, production and logistics concepts and developments, sourcing of business services, strategic sourcing issues of emerging locations and country attractiveness.

**Global information systems management:** business strategy and IS alignment, organising IS for international operations, sourcing choices and the role of offshoring and outsourcing business and IT services, the role of IT infrastructure and its management, retained capabilities, global implementation of IS projects.

**International dimensions of human resources management:** approaches to managing people, the main functions of the HR department, global pay and incentivisation practices, managing expatriates and multinational workforces, performance management

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# Examiners' commentaries 2015

## MN1178 Business and management in a global context – Zone A

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### Important notes

This commentary reflects the examination and assessment arrangements for this course in the academic year 2014–15. The format and structure of the examination may change in future years, and any such changes will be publicised on the virtual learning environment (VLE).

#### Information about the subject guide and the Essential reading references

Unless otherwise stated, all cross-references will be to the latest version of the subject guide (2013). You should always attempt to use the most recent edition of any Essential reading textbook, even if the commentary and/or online reading list and/or subject guide refers to an earlier edition. If different editions of Essential reading are listed, please check the VLE for reading supplements – if none are available, please use the contents list and index of the new edition to find the relevant section.

#### Additional examinable material

Note that for Summer 2016 and all subsequent examinations the taught subject of Exchange Rates and the International Monetary System – Chapter 6 of the MN1178 subject guide – is examinable.

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### Comments on specific questions

Candidates should answer FOUR of the following EIGHT questions. All questions carry equal marks. Candidates are strongly advised to divide their time accordingly.

#### Question 1

**'The resource based view of strategy has become the key to securing international strategic advantage.'** Assess this statement under the following headings:

- Describe the main component of the resource-based view of strategy, using examples to illustrate your points (5 marks).**
- Using examples, assess the strengths and weaknesses of the resource-based perspective when applied to doing business internationally (10 marks).**
- Describe and assess the strengths and weaknesses of the competitive positioning approach. Use examples to illustrate your argument (10 marks).**

#### Reading for this question

Relevant material and references for Question 1 are in pp.99–109 of the subject guide, and L. Willcocks *Global business management foundations*. (Stratford: Steve Brooks Publishing, 2013) [ISBN 9780956414533] Chapter 5. Candidates who accessed these sources did well on the whole.

### **Approaching the question**

For a), resource use VRIO (valuable, rare, inimitable, organization) or VRIN (non-substitutable) model as a definition of the basis of temporary and sustainable competition. Good candidates gave illustrative examples.

For b), there are many strengths and weaknesses that could have been included. Two would be: conceptual blurring of resources and capabilities; a capability is only potential and has to be directed and proven in performance. Try to give six points here. Again note there are at least 2 marks for illustrative examples.

For c), again there are many strengths and weaknesses of the competitive positioning approach mentioned in the sources. The examiners expected a description of Porter's Five Forces and all the strengths and weaknesses related to it. Some 4 marks were allocated for the description of this or another relevant model. Another 6 marks went to strengths and weaknesses, to include illustrative examples. Strengths and weaknesses included: needs to be applied at the right level – not necessarily industry level but useful lense for most important issues; neglects complementors which could be a sixth force needing analysis; may assume too much stability; and needs to be revisited frequently.

### **Question 2**

**For managers of international firms, research and development (R&D) strategy is an issue of major concern. Using appropriate examples, explain the following:**

- a. **Why is R&D activity so necessary for many global companies? (6 marks)**
- b. **What are the major factors that should determine where a company locates its R&D facilities? (13 marks)**
- c. **Why is it necessary for new product development efforts to involve close coordination between R&D, marketing and production? (6 marks)**

### **Reading for this question**

The material appears in the subject guide, Chapter 10, and Willcocks (2013) Chapter 7, as well as M. Peng and K. Meyer *International business*. (London: Cengage Learning, 2011) [ISBN 9781408019566], cases and Chapter 17.

### **Approaching the question**

For a), the necessity comes from a number of factors, for example intensifying competition in most industries needs ever more products. Globalisation requires different versions of a product for different markets. The examiners expected at least six points with illustrative examples.

For b), major factors for location of basic and applied research gained 13 marks. Good answers included factors like: where new product demand is strong; where consumers are affluent; where competition is intense.

The good answers often had more than seven points and a good answer was best arrived at through illustrative examples. No additional marks were given if the answers to b) duplicated points made in a).

For c), close coordination is needed across R and D, marketing and production because, for example: customers need to drive product development; new products need to be designed for ease of manufacture. The examiners expected about six points to be made to earn the marks allocated to this part of the question.

**Question 3**

**Globalisation exposes transnational corporations to complex ethical issues and requires them to create appropriate corporate social responsibility (CSR) policies. Discuss this assertion under the following headings:**

- a. Using appropriate illustrations, explain the three approaches that companies can adopt to deal with ethical dilemmas that arise when operating internationally. (12 marks)
- b. Using appropriate examples, describe the four strategies that an international business can adopt with respect to CSR. (13 marks)

**Reading for this question**

The material is contained in the subject guide, Chapter 3, p.41, Peng and Meyer (2011) Chapter 3, and Willcocks (2013) Chapter 3.

**Approaching the question**

For a), candidates should be familiar with three approaches:

- 'ethical relativism'
- 'ethical imperialism'
- 'middle of the road'

and be able to describe each with suitable examples of their use and the dilemmas created (3 marks for each approach). Other named approaches are acceptable. The examiners expected a discussion of ethics and ethical dilemmas for international businesses, with examples for a total of 3 marks.

For b), on CSR the answer should include some discussion of what CSR is and the notion of a triple bottom line – economic, social and environmental – and provide examples of CSR in action (for 3 marks). The main part of the answer should be on CSR strategies. The four that need to be described are:

- reactive
- defensive
- accommodative
- proactive

each with an illustrative example (for 2 marks each).

Additional marks were assigned for strong answers in the strategies, or for additional discuss on the challenges in CSR.

**Question 4**

**The phenomenon of globalisation has given rise to major benefits and costs for countries and companies in the contemporary world economy. Discuss this statement by considering the following questions:**

- a. What are the major trends underlying contemporary globalisation? (8 marks)
- b. What are the major issues in the debate about the pros and cons of globalisation in the twenty-first century? (17 marks)

**Reading for this question**

Relevant material and references are in pp.14-21 of the subject guide. See also Willcocks (2013) Chapter 1.

**Approaching the question**

For a), a definition of globalisation was needed (something like 'the shift towards a more integrated and interdependent world economy'),

with elaborations on the basic definition and a discussion of trends, for example, reduced barriers to trade, and capital investment, increased FDI, growing affluence in many countries creating more attractive markets globally. The examiners expected candidates to make around eight points. Mention of Friedman's ten flatteners gains some marks, depending on detail.

Part b) can be approached in many ways. On pros and cons, these may well be different for a company as opposed to a nation or an individual. A candidate may well choose one or two of these stakeholders, in which case we looked for a richer answer on the stakeholder(s) chosen. However, the examiners did expect country advantages and disadvantages, and also company advantages and disadvantages to be addressed.

Advantages for a country got up to 4 marks (e.g. more inward investment). Disadvantages for a country got up to 3 marks (e.g. increasing economic instability and dynamism due to connected world). Advantages for an international business using globalisation to its advantage got 4 marks (e.g. technological advances promote international trade; lower barriers to trade and investment). Challenges for an international business got 3 marks (e.g. globalisation promotes protectionism and regional barriers as a reaction; heightened competition from diverse countries and industries). The examiners allowed 3 marks for illustrative examples.

## Question 5

**Marketing is key to competing internationally. Therefore:**

- a. Describe the four main types of marketing strategies available. Use examples to illustrate your answer. (5 marks)
- b. Describe the four main components of the marketing mix. (6 marks)
- c. Discuss the challenges and ways of developing the marketing mix for each type of marketing strategy you have identified. (14 marks)

### **Reading for this question**

The material for this question is covered in the subject guide, Chapter 10, and Willcocks (2013) Chapter 7.

### **Approaching the question**

For a), 1 mark was given for each of: market penetration, market development, product development and diversification or similar vocabulary that includes a brief description of the strategy, and 1 mark for illustrative example(s).

For b), the four main components are Price, Place, Product and Promotion. The examiners gave 1 mark each for a description with 2 marks assignable for good detail.

For c), the examiners expected a strong discussion of how the marketing mix is established for each strategy in a). This had to cover the four Ps though the points made might vary. For Price, relevant points included pricing for different markets; finding what the market will bear. For Place, challenges include establishing distribution channels that are cost efficient and get goods to customers in timely fashion; choosing between the logistics options. On Product – definitions of product helped here – what are customers buying; need to look at physical product, features, quality levels, accessories, installation, instructions, fit in overall product line and fit with other of the 4 Ps. For Promotion, as just some examples, good answers included different types of communication and different types of channels; standardised or customised messaging; uses of online, social media.

The examiners gave 3 marks for the discussion of challenges and ways forward for each strategy. We assigned up to an additional 2 marks for any good illustrative examples.

### Question 6

**Types of international business strategy imply types of organization structure and organization architecture. Therefore:**

- a. **What are the four main types of international business strategy? Give examples of each.** (5 marks)
- b. **Define and discuss, using illustrative examples, the main types of organization structure, which strategies they support, the advantages and disadvantages of each, and when each is best used.** (10 marks)
- c. **Structure is part of organization architecture. Describe, using examples, the other four components of organization architecture, and the importance of the concept of 'fit' when designing organization architecture.** (10 marks)

#### **Reading for this question**

The content of the answer is covered in the subject guide, Chapters 7 and 11, and Willcocks (2013) Chapters 4 and 8, as well as in Peng and Meyer (2011).

#### **Approaching the question**

For a), the four main types of strategy are international, global standardisation, localisation, transnational (1 mark each). Other terminology could be used, provided the descriptions embraced the idea that these are different responses to different combinations of pressure for cost reduction and pressure for local responsiveness (for 1 mark).

For b), definition of structure got 1 mark. The four main types of structure and the strategies they support got a total of 4 marks. Advantages and disadvantages of these got 1 mark per structure = 4 marks, and 1 mark for illustrative examples.

For c), the components of organisation architecture, apart from structure, are people, processes, culture, incentives and controls. A definition and description got 2 marks each. The importance of the concept of 'fit', with any examples got 2 marks.

### Question 7

**It is very important for a business to consider why and when to enter new markets effectively. Therefore:**

- a. **Assess the factors a business would need to consider when deciding whether to enter a foreign country market, which market to enter, when to enter, and the scale and ownership required. Use examples to illustrate your points.** (8 marks)
- b. **What is a strategic alliance? Using examples, assess its advantages and risks as a mode of foreign market entry for the internationalising business.** (6 marks).
- c. **When are fully owned subsidiaries an attractive market entry mode? When are they less attractive?** (6 marks)
- d. **Describe what a turnkey project is, and the conditions under which it is an attractive mode of entering a foreign market. What potential problems make a turnkey project approach less attractive?** (5 marks).

#### **Reading for this question**

The material for this question is covered in the subject guide, Chapter 9, and Willcocks (2013) Chapter 6.

### **Approaching the question**

For a), the examiners expected around eight main factors to be considered depending on level of detail, for example: will it increase sales and/or improve competitive positioning ; can we sell on products developed for saturated domestic market; does it help us to evolve to a larger international business (8 marks).

For b), a description of a strategic alliance (1 mark). Advantages of SAs for market entry (e.g. facilitates entry; stepping stone to full acquisition) attracted 2 marks. Risks (e.g. may give your ally a competitive edge against you; may result in valuable leakage of knowledge) got 2 marks, illustrative example(s) 1 mark.

For c), conditions under which foreign owned subsidiaries are attractive/less attractive market entry mode include: reduce risk of losing control over core competences; gains all the profits (3 marks). But risks include factors like firm bears full risk and costs; greenfield sites are slower to establish and often risky and requires lot of local knowledge and fit with PESTEL factors (3 marks).

For d), the examiners expected some description of what a turnkey project is and types (1 mark). Also suggestions when this option was attractive (e.g way of earning returns from know how the firm has assembled, selling service to local requirements) (2 marks). Also some problems, for example, may be giving away/selling IP/capability to potential competitors (2 marks).

### **Question 8**

**'Formal and informal institutions greatly affect and shape the strategies that are possible in specific countries and markets.'** Therefore:

- a. **Describe, using examples, the major political, economic and legal institutions an international business needs to take into account in designing its strategy. (7 marks)**
- b. **Describe, using examples, the major informal institutions an international business needs to take into account in designing its strategy. (7 marks)**
- c. **Define PESTEL and SWOT analyses and describe, using examples, how these can be used to develop an environmental analysis for international business strategy development (11 marks).**

### **Reading for this question**

The material for answering this question appears in Chapters 2, 3 and 4 of Willcocks (2013) and Chapters 2, 3 and 7 of the subject guide.

### **Approaching the question**

For a), political system, the examiners expected a discussion of collectivism versus individualism, different types of 'totalitarian' and 'democratic' systems, with examples (2 marks). Economic systems discussed should include market, command and mixed economies with examples (2 marks). Legal system should include common, civil and religious law with examples (2 marks). Some discussion as to how these impinge upon an international business (1 mark – total 7 marks).

For b), informal institutions covers cultural, social, language, religious and ethical dimensions. Some discussion was expected of culture, types and their importance (2 marks) as well as of the roles of language and social class (2 marks) and the role of different types of religion and ethics (3 marks). Candidates were expected to point out the relevance of these institutions to international business (total 7 marks).



For c), the examiners expected political, economic, social, technological, environmental and legal analysis to be described. An illustrative example of PESTEL gained 4 marks. A discussion of strengths, weaknesses, opportunities and threats should have been illustrated with examples. The best answers provided a worked example of how strengths and opportunities are used to gain competitive advantage, how strengths are used to meet threats, how opportunities are used to minimise weaknesses, and how strategies are generated to minimise weaknesses and threats (7 marks).