POKHARA UNIVERSITY
Faculty of Management

Introduction to International Business

Model Question Paper

Candidates are expected to answer the questions in their own words as far as practicable. The figures in the margin indicate full marks.

Section A

Attempt all the questions. Give your answer in few lines. *(10*2=20)*

1. Define globalization.
2. List the major drivers of globalization
3. What is Leontiff's paradox
4. Provide a legal framework on protection of intellectual property rights
5. Name the factors involved in Ohlin's Factor Endowment theory.
6. What is Green field investment
7. What is global e marketing strategy.
8. What is EPRG model?
9. Define tariff and non-tariff barriers
10. Define Antidumping administrative policy of government intervention.

Section B

Descriptive Answer Questions

Attempt any six questions. *(10*6=60)*

11. International Business is more challenging and rewarding than domestic business. Justify the statement.
12. "Some countries succeed and others fail in international trade". Porter's diamond is well known analysis for the reason of above statement. Discuss.
13. Explain about the various stages in regional economic integration
14. A global firm's strategic management can exploit profit and opportunities in international market. Explain how.
15. What is the trends of FDI in Nepal. Why it is not getting enough FDI?
16. Briefly explain the concept of international marketing mix
17. Explain about the role of WTO in international trade.

Section C

Case/Situation Analysis

18. *Read the case situation given below and answer the questions that follow.* *(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 given by the acceptance of the 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 US and exported them to foreign customers after Philips had made the sale.

In 1990s, Diebold pulled out of the agreement with Philips and established a joint venture with IBM, called Interbold, for the research, development, and distribution of ATMs 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 it felt that it lacked the resources for establishing 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.

In 1997, foreign sales had gone from single digits to more than 20 percent of Diebold's total revenues. While sales in the US were slowing due to a saturated domestic market, Diebold was seeing rapid growth in demand for ATM's in a wide range of developed or 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 demands for ATM's 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 the for the IBM sales people, Diebold's ATMs were just a part of their product portfolio, and not necessarily their top priority. Diebold felt that it could attain 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 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 ATM's 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 up to 100 currency notes, and weed out counterfeits. In other countries, ATMs perform multiple functions from filing tax returns to distributing theater tickets. Diebold believed that locating manufacturing close to the main 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 Electronica, a Latin American electronics company with the sales of $400 million and a big presence in ATMs. This was 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 US 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 ATM business Porcomp had an electronic voting machines. In1999 Procomp won a $ 105 million contract, the largest in 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 US 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.

Questions

a) Before 1997, Diebold manufactured its ATM machines in the US, sold them internationally via distribution agreements, first with Philips NV and then with IBM. Why do you think Diebold chose this mode of expansion internationally? Explain with its advantages and disadvantages.
b) 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?
c) Is Diebold entered China via a joint venture, as opposed to a wholly owned subsidiary. Why do you think the company did this?