Name: **Enrolment No:**	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2023

Course: International Strategic Management
Semester:II
Program: MBA Global **Time: 03 hrs**
Course Code: STGM7008 **Max Marks: 100**

SECTION A
10Qx2M=20Marks

S. No.		**Marks**	**CO**
1	1. Born global firms... a) Have multinational sales of at least 25% within the first three years of existence. b) Take an international perspective from inception. c) Tend to be found in technologically based, knowledge-intensive industries. d) All of the above. 2. To determine a country's attractiveness to business requires: a) A detailed analysis of elements in the macro-environment. b) An assessment of the political and financial risks of doing business in that country. c) An analysis of the competitive environment. d) All of the options given. 3. Critics of competitiveness indices argue that: a) They often fail to include a nation's unique characteristics. b) They are a good guide to government policy. c) They are pointless as it is companies who compete not countries. d) All of the above. 4. A government wishing to attract business from overseas would NOT introduce: a) Investment grants b) Credit guarantees c) Subsidies to home-based producers d) Reduced corporation tax 5. Which of the following is not a type of global structure of companies? a) global function b) international division c) global product d) global area	**[2X10=20]**	**CO1**

	6. The process of importing goods and services for the purpose of re-export is known as — a) countertrade b) export c) entrepôt trade d) leasing 7. A reciprocal licensing agreement in which intangible property is transferred between two parties is known as a(n) — a) transfer of license b) non-exclusive license c) exclusive license d) cross license 8. The OLI theory is also known as — a) the strategic linkage theory b) the transaction cost approach c) perfect market hypothesis d) the eclectic paradigm 9. To enforce copyright to prevent a product from being copied: a) The claimant's product must be represented in an artistic work b) Articles made to the design must have been marketed c) The defendant's product must be a substantial copy of the claimant's product d) The claimant's designer must have created the design for the claimant's product in the form of a drawing or a model that is an artistic work 10. The goodwill that the law of passing-off protects: a) Must relate to the trading activities of selling goods or providing services b) Must exist at the time the claim is issued c) Must exist at the time of the defendant's activities that are complained of d) Ceases to exist once the claimant's activities cease		
SECTION B 4Qx5M= 20 Marks			
Q11	Explain the role power distance in global business	**[5]**	**CO2**
Q12	What is the role of para language in global communication	**[5]**	**CO2**
Q13	As a strategist of handicraft company aspiring for global business , suggest various permutation and combination of strategies	**[5]**	**CO2**
Q14	What do you understand by transnational strategy . Explain with suitable examples	**[5]**	**CO2**

SECTION-C 3Qx10M=30 Marks			
Q15	As strategist you have been asked by company to present psychographic analysis of the India , Will Sigmund Freud Theory come into picture , if yes how and why	**[10]**	**CO2**
Q16	Political lobbying is impacting the global business in the light of ecological protection movement. Comment	**[10]**	**CO3**
Q17	Will Bottom of Pyramid still be considered in India , despite its huge jump as fifth largest economy . comment as strategist for automobile company	**[10]**	**CO3**
SECTION-D 2Qx15M= 30 Marks Case study			
	On December 12, 1986, Denis Hanrahan and the ATS board of directors met for a regularly scheduled meeting in Kitchener, Ontario. After formally approving the appointment of Bob Traynor as the company's newest board member, the group turned its attention to a proposal put forward by Klaus Woerner that ATS should establish a plant in California, to better serve the company's existing West Coast customers, and as a first step toward making a major move into the U.S. market. From discussion prior to the meeting, Denis knew that the board was split on the California project. John Bates, the New York-based Aer Lingus vice-president in charge of U.S. airline operations, thought that the move to California was premature, and would require managerial resources that ATS could not spare. On the other hand, Klaus Woerner was very much in favor of the project. Bob Traynor was not as committed to the proposal as Klaus, but on balance felt that the firm should proceed. Larry Stanley and Ron Jutras, who were not board members, but were at the meeting and had visited California, shared Traynor's view. THE CALIFORNIA VISIT On November 23, Larry Stanley, Bob Traynor and Ron Jutras had arrived in California to meet Dieter Rindt and to have a firsthand look at CAS. On the first day of their visit, Dieter indicated that he would be willing to sell a 75 per cent interest in CAS to ATS for $2.5 million, on the understanding that he would retain the other 25 per cent and carry on as general manager. Dieter estimated that he could grow the company to a level of $7 million in sales within five years, and earn 15 per cent on sales before tax. In spite of Dieter's optimism, Larry, Bob and Ron concluded that they were not interested in buying part of CAS, which appeared to be financially insolvent and to have ceased operation. They agreed, however, that there might be a possibility of starting a new company with Dieter as its general manager. In order to get a better understanding of the situation, Ron asked Dieter for CAS financial statements (Exhibit 1) and a written explanation of why CAS had failed (Exhibit 2). The major conclusions of the three men, stated in a report		

	that Larry Stanley sent to Denis Hanrahan following the trip, were as follows: We conclude that Dieter Rindt does have the ability and the technical support staff to start and rapidly grow a hard automation company to an annual turnover of $5 million to $7 million in a short period of time. (The group's projections, which Dieter felt were conservative, are in Exhibit 3.) Dieter's strategy for a new company is as follows: 1. Start up operations in the same market segment as the previous business. 2. Once re-established in the market, begin to act as a marketing organization for ATS products. 3. Shortly after commencing marketing for ATS, set up a service facility for ATS customers. 4. Begin technology transfer from ATS to California, so that the California operation can begin to create systems employing standard components manufactured by ATS. In order to do this, Dieter will require on-hand management support and approximately $1.5 million in financing over the first three years. Dieter, himself, struck us as very strong in the technical aspects of the business, although he is, by his own admission, weak as a financial manager. We were particularly concerned that he did not formulate a survival plan during his company's downfall. Dieter appears to be looking for a five- to seven-year commitment to the company. His key employees were impressive, both in their technical ability and their loyalty to Dieter. The three that we met appeared to be mature and positive in their outlook on the potential of the new business. Although Dieter wants equity in the new company to build himself a 'retirement fund' over time, our consensus is that any equity should be earned or paid for and not be . . . a gift. We have assumed a 15 per cent profit sharing in our projections. If we go this route, we will have to pay him a healthy salary (much more than a normal start-up company of this size could afford) and pay a fair market price to lease his building, which is heavily mortgaged. On his return to Dublin, Larry Stanley commented on the visit with Dieter: Our visit was certainly hard on Dieter. It was clear that Klaus had told him about the deal we had done with ATS, and he was expecting the same sort of treatment. But the situation was not the same at all. Klaus had a healthy growing business, but in California there was very little to buy. We believe that most of the CAS customers will come back if we start a new company, although a few are upset with Dieter. The same is probably true of suppliers. The banks will not pose a problem with us behind the new company. In short, if we go ahead, we are offering Dieter an easier option than starting a new company from scratch, and he is offering us the possibility of a quicker start than we could get on our own. If we proceed, we will set up the deal so that the profits and		

losses from California will not impact on Klaus' 'earn out' agreement with us for ATS.

THE DECEMBER BOARD MEETING

As the discussion unfolded at the December board meeting, Denis realized that he was not going to be able to achieve unanimity among the board members. As chairman, the decision was going to be his to make. John Bates, who was widely regarded within Aer Lingus as a manager with a lot of common sense, echoed some of Denis' own sentiments when he argued that ATS was not ready for California. He foresaw that Klaus would be increasingly drawn to San Francisco to help out Dieter, to the detriment of ATS' existing operations. Furthermore, it was becoming less clear that ATS really needed an operation in California. Ron Jutras had recently provided figures that indicated that just over 50 per cent of ATS sales in the year ending September 30, 1986, were to firms based in the United States — and these orders had been obtained by salespeople based in Kitchener. In addition, 72 per cent of the quotes made in the most recent two-month period were to U.S. companies.

On the other hand, Klaus was adamant that ATS should proceed with establishing a new company, which, at least in its early years, would be built around Dieter Rindt. The move had to be made, he argued, to satisfy California-based customers such as Hughes Aircraft, which had recently placed over $2.7 million worth of orders with ATS, and to create a solid and lasting presence in the U.S.

To allay the concerns of the other board members, Klaus proposed the following:

1. An accounting supervisor would be hired at ATS to relieve Ron Jutras of his more routine functions, so that he could spend time on the California operations.
2. ATS would acquire more production supervisors and project managers, to allow Klaus to spend more time on the technical aspects of ATS and to oversee California. Klaus felt that the relationship and degree of control between himself and Dieter should be the same as that between Aer Lingus and ATS. Klaus also indicated that he wanted to give more attention to Waterjet Specialties, a small high technology subsidiary that he had established nearby with a former employee shortly before the Aer Lingus transaction took place. This company was not performing well. Klaus closed his remarks with the following statement:

We must do this. Going to California gives us the 'made in USA' label we need for success in America; it keeps Hughes happy; it gets us access to excellent technical people; and it gives us a fast entry to what is going to be our most important market. If you don't agree to this, it will cause trouble between us. I will take the credit or the blame for what happens in California.

Exhibit 1

CALIFORNIA AUTOMATION SYSTEMS CORPORATION
5-Year Financial History
Year Ending May 31 (in '000s U.S.)

Year	1982	1983	1984	1985	19
Sales	3,143	2,710	4,004	7,016	3,4
Cost of Sales	2,313	2,050	2,538	5,355	6,0
Gross Profit	830	660	1,466	1,661	(2,5
Adjusted other*	554	552	589	1,172	1,5
Operating Income	276	108	877	489	(4,1
Other Expense	22	24	21	49	2
Income pre-tax	254	84	856	440	(4,4
Income taxes	(49)	(66)	95	75	(1
NET INCOME	303	150	761	365	(4,3
* Adjusted Other Expenses					
Operating Expenses as reported	828	745	1,121	1,367	1,5
Adjusted (Note 1)	274	193	532	195	
	554	552	589	1,172	1,5

BALANCE SHEET EXTRACT	1983	1984	1985	19
FIXED ASSETS	355	440	719	5
CURRENT ASSETS	1,804	3,092	3,206	1,4
TOTAL ASSETS	2,159	3,532	3,925	2,0
FINANCED BY:				
CURRENT LIABILITIES	1,136	2,299	2,327	3,8
NOTES PAYABLE	48	30	225	3
SHAREHOLDERS' FUNDS	975	1,203	1,373	(2,2
	2,159	3,532	3,925	2,0

Note: Operating expenses have been adjusted to reflect excessive charges for owner compensation, profit shari professional fees. Between 1982 and 1985, $1.4 million was paid in salary to Dieter Rindt. $700,000 was put back company in 1986.

Exhibit 2

DATE: November 23, 1986.

TO: Ron Jutras

FROM: Dieter Rindt

SUBJECT: WHY CALIFORNIA AUTOMATION SYSTEMS CORP. FAILED

Basically, the company's problems stemmed from one source. The company undertook to build several major machines involving "new" concepts. These machines cost the company more than $2,000,000 over a period of three years. Following is a summary of the causes of the company's failure.

1. The following machines were total losers and were written off in 1985/86:

a. 2 machines for Plessey Limited, England >$900,000 loss
b. 2 machines for Omron, Japan >$300,000 loss
c. 1 machine for NTEL, Canada >$l00,000 loss
d. 1 machine for A.M.P., Harrisburgh >$200,000 loss
e. 2 machines for H&T Connectors, England >$150,000 loss
f. 1 machine for AT&T >$400,000 loss

The above figures represent about $2,000,000 in direct loss. These losses came about because the company had no real cost data to go on when it bid these complex machines. The machines were, therefore, underbid. Also, the company had no systems in place to allow us to manage projects of the magnitude of these machines. We did put in management systems capable of handling these machines, but too late!

2. The cash-flow problems created by the above machine losses caused the company to have to use down payments on new contracts for old work, immediately building in potential delivery delays, legal problems, and ultimately, losses. Easily $200,000 to $300,000 per year of management time was spent on problem negotiations, travel to pacify customers, etc., instead of on positive objectives.

3. The cash-flow problem also caused delays in all shipments, so that instead of shipping over $7,000,000, we shipped only $3,500,000, while our “overhead” and “general and administrative” expenses were running at a level to support over $7,000,000 of sales. G & A actually came out over $1,500,000, including over $150,000 in accounting and legal fees caused by cash and accounting problems.

4. Cash-flow problems caused the company to lose all of its purchasing discounts, which cost an additional $250,000 to $300,000 per year.

5. Upper management spent all of its time fighting cash-flow, instead of managing projects and checking engineering, etc., which, in turn, caused marginal losses on machines that historically would have been profitable.

6. The plating equipment division, for nearly two years, expected to receive contracts to build highly profitable P-dip platers for Motorola. As a consequence, the company elected to hold the plating systems team together, which cost more than $300,000 over a period of two years. Ironically, the Motorola contracts, worth about $9,000,000, were let shortly after the company closed its doors.

Contributing to the overall problem were two bad management decisions:

1. The company decided not to quit work on the losers, because CAS had never “not delivered” on a contract and management was afraid that “lawsuits” would put the company out of business.

	2. Management decided to try to "sell" its way out of its cash-flow problems, using down payments on new contracts to bail out the old and profits on the new to permanently eliminate the cash-flow hole. Ron, the above reasons just about cover everything I can think of. I'll be happy to discuss these matters with you at any time.		

Exhibit 3

NEW CALIFORNIA COMPANY
5-Year Financial Projection
Year Ending September 30 (in '000s U.S.)

Year	1987	%	1988	%	1989	%	19
Sales	700	100	1,600	100	3,000	100	5,0
Cost of Sales	625	89	1,200	75	2,250	75	3,7
Gross Profit	75	11	400	25	750	25	1,2
Overhead	375	54	400	25	450	15	5
Operating Income	(300)	(43)	-	-	300	10	7
15% profit sharing	-	-	-	-	45	2	1
Income pre-tax	(300)	(43)	-	-	255	9	6
Income taxes	-	-	-	-	-	-	2
NET INCOME	(300)	(43)	-	-	255	9	3
Cumulative net income	(300)		(300)		(45)		3
CASH-FLOW PROJECTION SOURCES							
Net income	(300)		-		255		3
Deprec. Expense	70		86		103		1
	(230)		86		358		5
APPLICATIONS							
Capital Equipment	350		175		200		2
Working Capital	250		250		275		2
	600		425		475		4
Period Cash Required	830		339		117		(1
Cumulative Cash Required	830		1,169		1,286		1,1

BALANCE SHEET

	1987	1988	1989	19
TANGIBLE ASSETS				
Working Capital	250	500	775	9
Net Capital Equipment	280	369	466	5
	530	869	1,241	1,5
FUNDED BY				
Retained earnings	(300)	(300)	(45)	3
Advances	830	1,169	1,286	1,1
	530	869	1,241	1,5

Q18	Why managers of the company are willing to diversify. Is it a concentric or conglomerate? Comment while using Five force analysis.	**[15]**	**CO4**

Q19	Analysing the exhibits, what are the scenarios that can emerge? From the basket of scenarios, which scenario you would back for?. As Denis , what decision would you make with respective to California Proposal. Explain with reasoning	**[15]**	**C O4**