DELHI SCHOOL OF BUSINESS
By Vivekananda Institute of Professional Studies - TC

Delhi School of Business

PGDM Program

END-TERM EXAMINATION, OCTOBER 2024

TERM – IV (Batch: 2023-25)

Course Name	International Business	Course Code	IB
Duration	3 Hours (180 Minutes)	Max. Marks	60

Instructions

More credit will be given for precise answers

Each answer should start in a separate page

Questions 1 to 5: Limit answer to a page

Questions 1 to 5: Has to be explained using a case discussed in the course (Concept-2+Case-4).

1. Differentiate between Internationalization and Globalization? **(2+4; CO1 & CO2)**
2. Explain national competitiveness concept. **(2+4; CO1 & CO2)**
3. Outline the facilitative and prohibitive role of the state in fostering trade. **(2+4; CO1 & CO2)**
4. Explain the various risks faced by global firm (2+4; CO1 & CO2)
5. Structure is based on the strategy of a firm. (2+4; CO1 & CO2)
6. Give the rationale for appropriate agreements **based on any three principles of the trading** system facilitated by WTO. **(8; CO2)**

7 With the help the excerpt of the case (Exit of USA from TPP), answer the following questions?

Excerpt from TPP

Prestage Farms

On a cloud-swept landscape dotted with grain elevators, a meat producer called Prestage Farms, is building a 700,000-square-foot pork processing plant. "I'm scared to death," said Ron Prestage, whose North Carolina-based family pork and poultry business made its huge investment in the plant near Eagle Grove in part to reap expected gains from the TPP. "I don't guess I've gone beyond the point of no return on the new plant, but we did already start digging our wells and started moving dirt." He and other agricultural businesspeople and workers have reason for concern.

The gleaming new factory was both a great hope for Wright County, which voted by a 2-1 margin for Donald Trump, and the victim of one of Trump's first policy moves, his decision to pull out of the Trans-Pacific Partnership *(TPP-11, it now consists of Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. United States moved out of TPP from 23 January, 2017).*

New TPP members

- Signed 27 fresh trade deals among themselves and with EU and China
- Japan signing new and quick agricultural trade deals with EU
- Australia renewed interest in Japan food market

USA

- Lost market share of both pork and wine in Japan. Expected to lose further.
- Trying out new bilateral deals successful in striking 7 deals
- Was bit a skeptical that TPP members were not eager to sign deals, including Japan.

Wright County Predicament

Prestage Farms went ahead with the investment depending largely on export opportunities. More than 26 percent of the pork produced in the U.S. in 2016 was exported to foreign markets. And more than $1.5 billion of the nearly $6 billion in U.S. pork exports in 2016 headed for Japan. Most in the industry expected a boom coming from exports as a result of TPP, with continued strong sales made possible by NAFTA. Vietnam, another growing market where U.S. producers were set to expand sales of organ meat and other items not easily sold domestically, was prepared to eliminate its tariffs altogether under TPP. Now, the tariffs remain and Prestage—and all of Eagle Grove—are holding their breath. Prestage said his company's plant should be operational by the fall of 2018, but any move to add a second shift or expand production will largely depend on new trade opportunities.

Additional Data: in 2016, the United States and Japan had $195.5 billion in trade with United States exporting $63.3 billion and rest is import from Japan.

I. Any specific reasons that forced ~~non~~ current-TPP members to explore the new deals both within and outside the regional cooperation? State your arguments. **(3; CO3)**

II. Was the decision of President Trump to opt out of TPP correct? State your arguments. **(4; CO3)**

III. Suppose you are a consultant appointed to redeem the problems faced by Prestage farms. What will be your suggestions? **(3, CO3)**

Read the following case and answer the questions at the end

Philips Global Restructuring

Established in Eindhoven, The Netherlands, Philips NV is one of the oldest multinational corporations. Philips began making lighting products and, over time, diversified into a range of businesses that included domestic appliances, consumer electronics and health care products. From its inception, some of the Dutch small companies created pressure on Philips to look for foreign markets for growth, which is a common phenomenon for most of the European firms, a characteristic observed in born global firms.

During the world war II, Germany occupied Netherlands and it resulted in greater autonomy for company's organization in Australia, Brazil, Canada, the United Kingdom and the United states. After the war, the structure based on strong national organization remained in place. Each national organization was, in essence, a self-contained entity that was responsible for its own production, marketing, and sales.

Most of the R&D activities, however, were centralized at Philips headquarters at Eindhoven, while a decentralized national structure of several products were also created simultaneously. Based in Eindhoven, the product division developed technologies and products, which were then sold by different national organizations. During this period, the career track of most senior managers at Philips involved significant postings in various national organization.

For several decades the national organization worked well. It allowed Philips to customize their product offerings, sales and marketing efforts to the conditions that existed in different national markets. The top management at the Headquarters soon realized the duplication of activities around the word, which intrinsically created a high-cost structure. When the trade barriers were high, these did not matter so much, but the significance of its effect became important when the trade barriers were diminishing, as per the global trend. Competition in each national market was becoming intense when competitors such Sony and Matsushita from Japan, General Electric from United States and Samsung from South Korea made a foray in these markets. These firms increased their market share by increasingly serving global markets through centralized production facilities resulting in higher scale economies and lower costs.

Philips' response was to try to tilt the balance of power in its structure away from national organizations and toward products division. International production centres were established under the direction of product division. The national organization, however, remained responsible for local marketing and sales, and had control over some local production facilities. The problem of retaining autonomy in the national structure remained as senior managers tried to protect their nationalist identities and autonomy.

Despite several re-organization efforts, the national organizations had a strong influence on Philips global operation and the organization structure was compared to 'plate of spaghetti' by former Philips CEO, Cor Boonstra around early 2000s. The company then had 350 subsidiaries around the world with resulting in duplication of time and functional efforts. He then brought about an organizational change and replaced the existing 21 product division to only 7 global business divisions, making them responsible for product development production, and marketing. The head of these division reported to the CEO while national organization reported to the divisions. The national organizations remained responsible for sales and marketing and thereby losing their sway on the company.

Phillips, however, continued to underperform in its global rivalry. In 2008, Gerard Kleisterice, who succeeded Cor Boonstra, reorganized Philips yet again, to only three global divisions, namely electronics, healthcare and lighting. These are also the three divisions passed on the Frans van Houten, who became CEO in 2011. Under his stewardship, Philips aimed for making this world healthier and sustainable place to dwell and to improve lives of 3 billion people a year by 2025 in a world population of 7.4 billion.

To achieve this aforesaid goal, the slogan for healthcare division was coined as 'creating the future of healthcare", for lighting division it was "enhancing lighting with lives' and for Consumer Lifestyle division it was 'helping people achieve healthier and better life". These three divisions were responsible for product strategies, global marketing, supply chain and deciding on competitive production facilities. These divisions also were responsible for some of the sales responsibilities such as dealing with global retail chains such as Walmart, Tesco and Carrefour. To accommodate national differences, however, some sales and marketing activities remained located at the national organizations.

Q2-A What are the phases of restructuring in Philips and state the type of organizational structure Phillips adopted in each phase

Q2-B What compelled the CEOs after 2000s to undertake such changes in structure (outline the reasons for each phase briefly).

Q2-C What was shift in strategy in Philips from 2000 to its current operation. Do you think it will be effective in the near future.

(4+4+4=12; CO3)