CMR INSTITUTE OF TECHNOLOGY

IAT-I

Scheme of Evaluation

Date: International Business	Duration: 90mins	Max Marks: 50	**Sem:** IV	**Branch:** MBA

Note: Part A - Answer Any Two Full Questions (20*02=40 Marks)

Part B - Compulsory (01*10= 10marks)

Part	Question #		Description	Marks Distribution		Ma Mar
A	1	a)	Define the term "ENTREPOT".	Entrepot trade, also known as re-export trade, involves a country importing goods and then re-exporting them to another country, often with little to no change or added value. This is a form of international trade where goods are routed through a particular country, which acts as a hub or intermediary, to be sold to a final destination. Modern entrepôts are often duty-free zones or ports designed to facilitate this type of high-volume re-export activity.	3	20
		b)	Different characteristics of International Business.	International business is characterized by cross-border transactions involving the exchange of goods, services, capital, and technology between countries. It often involves large-scale operations, integration of economies, keen competition, and adaptation to diverse cultural and regulatory environments. Here's a more detailed breakdown of the key characteristics: 1. Cross-Border Transactions: International business fundamentally involves transactions that cross national borders, connecting different countries through the exchange of goods, services, and capital. This can include export and import, foreign direct investment (FDI), licensing, franchising, and other forms of collaboration. 2. Large-Scale Operations: International businesses typically operate on a larger scale than domestic businesses, with significant production, marketing, and distribution networks spanning multiple countries. This scale often necessitates complex logistics and supply chain management to cater to diverse markets. 3. Cultural Diversity and Adaptation: Success in international business requires understanding and adapting to various cultural norms, values, and business practices in different countries. Companies need to tailor their products, marketing strategies, and communication approaches to resonate	7	

				with local preferences and customs. 4. Integration of Economies: International business fosters economic integration by connecting different countries through trade, investment, and technological exchange. This integration can lead to increased interdependence and collaboration between nations, creating a more interconnected global economy.			
		c)	Summarise the advantages and challenges of International business in today's global scenario.	ASEAN Advantages Market Expansion: Companies can reach a larger customer base, leading to increased sales and revenue. Economies of Scale: Operating globally allows businesses to reduce production costs by increasing output. Access to Talent and Resources: Businesses can tap into diverse pools of skilled labor, raw materials, and advanced technologies from around the world. Risk Diversification: Spreading operations across different countries helps mitigate risks associated with economic downturns or market fluctuations in a single country.	SAARC - South Asian Association for Regional Co operation - Objectives - Significance (Promote the welfare of the peoples of South Asia and improve their quality of life)	10	

				Innovation: Exposure to different global ideas and technologies can foster a culture of creativity and innovation within a company. Foreign Exchange Earnings: Exporting goods and services allows a country to earn valuable foreign currency.			
	2	a)	Define Exports & Imports	Imports are goods and services a country buys from another country, while exports are goods and services a country sells to another country. These are fundamental concepts in international trade, where importing fulfills domestic needs for products not made locally, and exporting helps a nation's economy grow by selling its own goods and services in foreign markets.		3	20
		b)	Explain any two theories of IB in detailed	1. Theory of Comparative Advantage Proponent: David Ricardo. Core Idea: Nations can benefit from specializing in and exporting goods for which they have a comparative advantage, meaning they can produce them at a lower opportunity cost compared to other countries. How it Works: Opportunity Cost: This theory is built on the concept of opportunity cost, which is the value of the next best alternative that must be given up to pursue a certain action. Mutual Benefit: Even if one country is more efficient (possesses an absolute advantage) in producing all		7	

				goods, trade can still be mutually beneficial if each country specializes in the goods where its opportunity cost is lower. Example: If Country A can produce both wine and wheat more efficiently than Country B, but it is relatively much better at producing wheat, it should specialize in wheat and trade it for wine, which Country B produces with a lower opportunity cost. 2. Heckscher-Ohlin Theory (Factor Endowments Theory) Proponents: Developed by Eli Heckscher and Bertil Ohlin. Core Idea: A country will export goods that make intensive use of its relatively abundant factors of production (land, labor, capital) and import goods that make intensive use of its relatively scarce factors		
		c)	Explain the role of CSR initiatives of MNCS with suitable examples	Definition Corporate social responsibility (CSR) is a business model that encourages companies to operate in ways that enhance society and the environment while being accountable to their stakeholders and the public. What Is CSR? Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies are aware of how they impact aspects of society, including economic, social, and environmental. Engaging in CSR means a company operates in ways that enhance society and the environment instead of contributing negatively to them. Key Takeaways Corporate social responsibility is a business model by	10	

				which companies make a concerted effort to operate in ways that enhance rather than degrade society and the environment. CSR can help improve society and promote a positive brand image for companies. CSR includes four categories: environmental impacts, ethical responsibility, philanthropic endeavors, and financial responsibilities. Corporate Social Responsibility Investopedia / Zoe Hansen Understanding Corporate Social Responsibility (CSR) Through corporate social responsibility programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands. A socially responsible company is accountable to itself and its shareholders. CSR is commonly a strategy employed by large corporations. The more visible and successful a corporation is, the more responsibility it has to set standards of ethical behavior for its peers, competition, and industry. Fast Fact Small and midsize businesses also create social responsibility programs, although their initiatives are rarely as well-publicized as those of larger corporations. Types of CSR Environmental responsibility: Corporate social responsibility is rooted in preserving the environment. A company can pursue environmental stewardship by reducing pollution and emissions in manufacturing, recycling materials, replenishing natural resources like trees, or creating product lines consistent with CSR. Ethical responsibility: Corporate social responsibility includes acting fairly and ethically. Instances of ethical responsibility include fair treatment of all customers regardless of age, race, culture, or sexual orientation, favorable pay and benefits for employees, vendor use across demographics, full disclosures, and transparency for investors. Philanthropic responsibility: CSR requires a company to contribute to society, whether a company donates profit to charities, enters into transactions only with suppliers or vendors that align with the company philanthropically, supports employee philanthropic endeavors, or sponsors fundraising events. Financial responsibility: A company might make plans to be more environmentally, ethically, and philanthropically focused, however, it must back these plans through financial investments in programs,		

				donations, or product research including research and development for products that encourage sustainability, creating a diverse workforce, or implementing DEI, social awareness, or environmental initiatives.		
	3	(a)	Define the term Mercantilism	Mercantilism is an economic theory and policy, popular from the 16th to 18th centuries, that emphasizes maximizing a nation's wealth and power through government control of the economy, especially trade. It focuses on achieving a favorable balance of trade, where exports exceed imports, to accumulate gold and silver (bullion)	3	20
		(b)	Functions of International Marketing	International marketing functions encompass several key activities aimed at promoting and selling products or services across national borders. These include market research, product adaptation, pricing strategies, distribution, promotional activities, and brand management, all tailored to the unique characteristics of each target market. Here's a more detailed look at the functions: 1. Market Research: Understanding the needs, preferences, and buying behavior of consumers in different countries is crucial. This involves analyzing cultural, economic, political, and technological factors (PEST analysis) to identify opportunities and challenges. 2. Product Adaptation: Adapting products to meet local needs and preferences, including modifications to features, packaging, and branding, is often necessary. This may involve localization of products or services to align with cultural expectations and regulatory requirements.	7	
		(c)	Discuss the role of four ethics in determining the value of the MNC.	IFour ethics frameworks relevant to determining an MNC's value are: Normative Ethics, which establishes universal standards like honesty and integrity; Descriptive Ethics, which analyzes actual ethical behaviors and norms within different cultural contexts; Corporate Social Responsibility (CSR), focusing on an MNC's obligations to society beyond profit; and Stakeholder Theory, which values balancing the interests of all affected parties, not just shareholders. Here are four key ethical considerations and approaches for valuing an MNC: 1. Normative Ethics (Universal Standards): What it is: This framework deals with establishing universal ethical principles that all businesses, including MNCs, should adhere to, regardless of their location. How it applies: MNCs are valued based on their commitment to these universal ethical standards, such as honesty, integrity, respect for human rights, and	10	

				fairness. Value driver: Adherence to universal norms enhances a brand's reputation and trustworthiness, potentially increasing its market value and customer loyalty. 2. Descriptive Ethics (Cultural Relativity): What it is: This approach focuses on observing and understanding the different ethical norms, values, and practices in various cultural and legal contexts where an MNC operates. How it applies: An MNC's value is influenced by its ability to adapt and respond appropriately to the unique local laws, customs, and ethical expectations of each host country. Value driver: Navigating cultural complexities effectively minimizes the risk of conflicts, legal issues, and negative PR, which can harm an MNC's value.		
B	4	(a)	Understand the nature of problems faced by foreign companies like GM in saturated markets like Europe	Foreign companies like GM faced significant challenges in saturated European markets due to intense competition, market saturation leading to excess capacity, a mismatch between their product offerings and European consumer preferences, high costs and complex regulatory compliance, and political and economic uncertainty. These factors resulted in financial losses, forcing GM to exit the market to focus on more profitable regions like the US and China. Key Challenges for GM in Europe: Intense Competition & Market Saturation: Europe's car market is highly saturated, leading to intense competition from established brands and excess production capacity. Product Mismatch: GM's most successful models, such as large trucks and SUVs, were not well-suited to European consumer preferences, which often favored smaller, more traditional vehicles. Financial Losses & High Costs: GM experienced continuous financial losses in Europe and faced high costs associated with operating in the complex European market.	5	10
		(b)	Highlight ssues and challenges in Corporate-level and international strategy	Corporate strategy issues include resource allocation across diverse businesses and maintaining a consistent corporate mission, while international strategy challenges involve navigating cultural differences, political and legal complexities, fluctuating exchange rates, language barriers, and the inherent difficulty of balancing global efficiency with local responsiveness. Failing to align strategy with internal capabilities, market conditions, or employee training also presents significant hurdles for both levels of strategy. Corporate-Level Strategy Issues & Challenges	5	

				Portfolio Management: Deciding which industries and business units to compete in and effectively coordinating their activities to achieve overall corporate goals is a core challenge. Resource Allocation: Distributing financial and human resources across a portfolio of businesses or product lines to meet objectives is complex. Maintaining Cohesion: Ensuring a unified corporate mission and vision across diverse business units, especially in large corporations, is difficult. Strategy Alignment: Aligning corporate strategy with both the internal strengths and weaknesses of the organization and the external market environment is crucial.		