Visvesvaraya Technological University

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Scheme & Solutions

Signature Of Scrutinizer: Dr.C.Naga Bharath Kumar

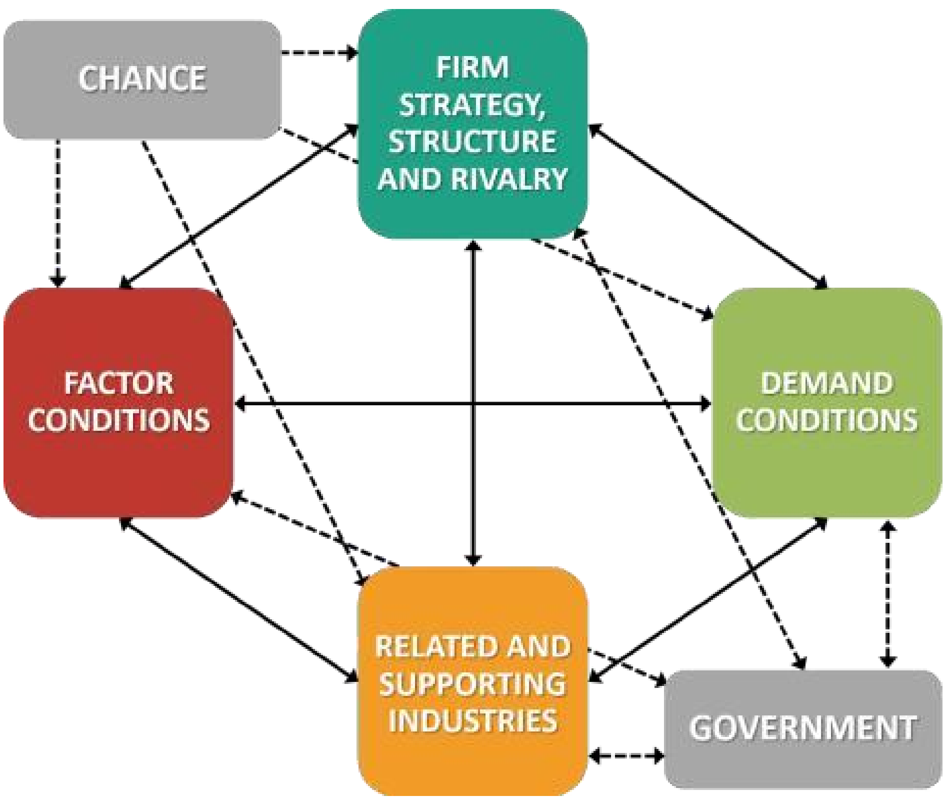
Subject Title : INTERNATIONAL BUSINESS **Subject Code :22MBA401**

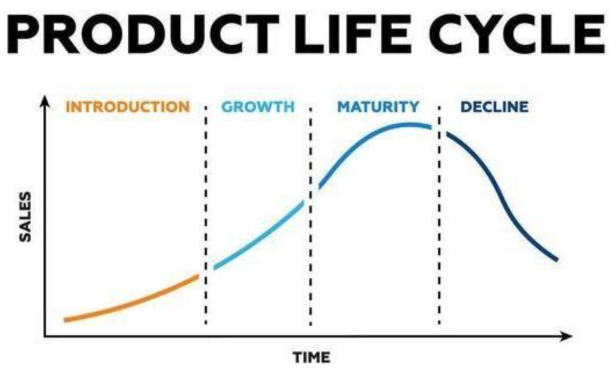
Question Number	Solution	Marks Allocated
1. a	International business means any commercial activity, like trade or investment, that crosses national borders, involving the exchange of goods, services, capital, tech, and IP between countries, essentially connecting economies worldwide through activities like exporting, importing, franchising, and foreign direct investment	3
1. b	Economic Environment Importance : Market Potential & Demand: GDP & Income Levels: Higher GDP/capita and income levels signal greater consumer purchasing power, indicating larger markets for goods and services. Employment: Low unemployment boosts disposable income and spending, while high unemployment reduces it, impacting demand. Profitability & Costs: Inflation: High inflation increases production costs (wages, materials) and erodes profits. Interest Rates: High rates make borrowing for expansion or operations more expensive. Exchange Rates: Fluctuations directly affect the cost of imports, revenue from exports, and profitability for global firms. Strategic Decision-Making: Resource Allocation: Guides decisions on where to invest, expand, or source materials. Risk Management: Helps identify economic vulnerabilities (e.g., recession, currency instability) to mitigate risks through diversification or hedging. Government Policies & Stability: Fiscal/Monetary Policy: Government actions on taxes, spending, and money supply directly impact business operations. Trade Policies: Tariffs, trade agreements, and subsidies shape international competitiveness. Understanding the Business Cycle: Knowing the four stages (boom, contraction, recession, expansion) helps businesses anticipate shifts in demand, investment, and economic climate.	7
1. c	Globalization of businesses is driven by key factors like technological advancements (internet, communication), trade liberalization (fewer tariffs), political changes (openness, deregulation), economic motives (cost reduction, market access, economies of scale), and cultural shifts, all enabling easier cross-border flow of goods, capital, information, and people, leading to interconnected global markets and increased competition. Key Driving Factors Technological Advancements: Communication: Internet, mobile tech, email facilitate instant global connection, information sharing, and coordination. Transportation: Containerization, improved air travel reduce costs and time, making global logistics feasible. Economic Factors: Trade Liberalization: Reduction of tariffs, quotas, and trade barriers by groups like the WTO.	10

	Financial Liberalization: Easier movement of capital, encouraging foreign direct investment (FDI). Search for Efficiency: Access to cheaper labor, resources, and new markets for growth and profit. Economies of Scale: Producing for a global market reduces per-unit costs. Political & Legal Changes: Deregulation: Fewer government restrictions on business operations. Global Cooperation: International organizations foster interconnectedness. Opening Markets: Former communist countries opening up to global trade. Socio-Cultural Factors: Cultural Exchange: Media and migration spread tastes and preferences globally. Global Workforce: Increased migration and availability of diverse, skilled labor. Business & Competitive Motives: Competition: Need to compete with other globalized firms. Market Expansion: Accessing new customer bases and increasing market share. Risk Spreading: Diversifying across different economies.	
2. a	Exporting: Selling goods produced domestically to foreign markets (direct or indirect via agents). Licensing: Granting a foreign firm rights to intangible property (patents, trademarks) for a fee. Franchising: A specialized form of licensing where a franchisor provides a complete business system to a franchisee. Turnkey Projects: Building and equipping a facility for a foreign client, then handing it over ready to operate.	**3**

Subject Title : **Subject Code :**

Question Number	Solution	Marks Allocated
2.b	Challenges in International Business: Legal & Regulatory: Complying with different tax laws, foreign investment rules, labor standards, and intellectual property protections in each country. Cultural & Linguistic Differences: Misunderstandings due to varied business etiquette, communication styles, consumer preferences, and language barriers. Economic & Financial Risks: Volatile exchange rates, inflation, different economic stability levels, and managing multi-currency transactions. Supply Chain & Logistics: Complexities in customs, tariffs, shipping, infrastructure, and ensuring resilient sourcing. Political & Geopolitical Instability: Risks from regime changes, civil unrest, terrorism, trade disputes, and shifting government policies. Talent Management: Sourcing, hiring, training, and retaining the right people while maintaining company culture across borders. Technological Gaps: Adapting to different tech infrastructures and integrating digital tools for global operations.	**7**
2.c	Ethics and Corporate Social Responsibility (CSR) are crucial in international business for building trust, enhancing brand reputation, attracting talent, and ensuring long-term sustainability by aligning profit with societal good, mitigating risks, and meeting stakeholder demands for accountability, leading to better competitive advantage and profitability in complex global markets. They move beyond mere legal compliance to foster positive relationships with customers, employees, and communities worldwide, making them essential for success, not optional extras. Key Importance Areas: Reputation & Trust: Ethical, socially responsible actions build strong brand image, loyalty, and trust with consumers and partners who increasingly choose value-aligned brands. Risk Mitigation: High standards reduce legal issues, scandals, and reputational damage, crucial when navigating different cultures and regulations. Talent Attraction & Retention: Top talent seeks employers with strong values, boosting morale, commitment, and productivity. Stakeholder Relations: Fosters positive relationships with investors, suppliers, employees, and communities, securing broader support. Profitability & Competitive Edge: Drives financial benefits through customer loyalty, innovation, and market differentiation, proving that "doing good" is good business. Sustainable Growth: Ensures long-term viability by addressing social and environmental impacts, turning businesses into agents for positive change in poverty, health, and climate. Ethical Leadership: Guides decision-making with integrity, fairness, and transparency, creating psychologically safe workplaces. In International Context: Cultural Adaptation: Helps MNCs adapt ethically to diverse local cultures and rules, fostering responsible growth. Combating Exploitation: Prevents issues like environmental degradation and poor labor conditions often exported to developing nations, promoting social sustainability.	**10**

3.a.	Mercantilism is an economic theory (16th-18th centuries) viewing national wealth as finite gold/silver, advocating maximizing exports and minimizing imports through tariffs and subsidies to achieve a trade surplus, boost state power, and foster self-sufficiency, seeing trade as a zero-sum game where one nation's gain means another's loss, influencing protectionism and colonialism.	**3**
3.b.	Michael Porter's Diamond Model (also known as the Theory of National Competitive Advantage of Industries) is a diamond-shaped framework that focuses on explaining why certain industries within a particular nation are competitive internationally, whereas others might not. And why is it that certain companies in certain countries are capable of consistent innovation, whereas others might not? Porter argues that any company's ability to compete in the international arena is based mainly on an interrelated set of location advantages that certain industries in different nations posses, namely: Firm Strategy, Structure and Rivalry; Factor Conditions; Demand Conditions; and Related and Supporting Industries. If these conditions are favorable, it forces domestic companies to continiously innovate and upgrade. The competitiveness that will result from this, is helpful and even necessary when going internationally and battling the world's largest competitors. This article will explain the four main components and include two components that are often included in this model: the role of the Government and Chance. Together they form the national environment in which companies are born and learn how to compete. 	**7**

3.c.	**The life cycle of a product is broken into four stages:**  Introduction Growth Maturity Decline **Introduction Stage** The introduction phase is the first time customers are introduced to the new product. This stage typically requires the business to make a substantial investment in advertising. At this point, the marketing is focused on making consumers aware of the product and its benefits, especially if the item is broadly unknown or the problem it solves is unclear. During the introduction stage, there may be little to no competition for a product, as competitors may only be getting their first look at the new offering. Even if the business is offering a new product or service in response to another business's sales, the marketing will still focus on introducing the new product rather than differentiating it from competitors' products. Companies often experience negative financial results at this stage. Sales tend to be lower, promotional pricing may be low to drive customer engagement, marketing spending is high, and the sales strategy is still being evaluated. **Growth Stage** If the product is successful, it then moves to the growth stage. This is characterized by: Growing demand Increase in production Expanded availability Fast Fact The amount of time spent in the introduction phase before a company's product experiences strong growth will vary between industries and products. During the growth phase, the product becomes more popular and recognizable. A company may still choose to invest heavily in advertising if the product faces heavy competition. However, marketing campaigns will likely be geared towards differentiating its product from others as opposed to introducing the goods to the market. A company may also refine its product by improving functionality based on customer feedback. Financially, the growth period of the product life cycle results in increased sales and higher revenue. As peer businesses begin to offer rival products, competition increases, potentially forcing the company to decrease prices and experience lower margins. **Maturity Stage** The maturity stage of the product life cycle is the most profitable, as it is the time when the costs of producing and marketing decline. With the market saturated with the product, competition is now higher than at other stages, and profit margins start to shrink. Some analysts refer to the maturity stage as the point at which sales volume is "maxed out." Depending on the product, a company may begin deciding how to innovate its product or introduce new ways to capture a larger market presence. This includes getting more feedback from customers and researching their demographics and needs. During the maturity stage, competition reaches its highest level. Rival companies have had	**10**

	enough time to introduce competing and improved products, and competition for customers is usually highest. Sales levels stabilize, and a company strives to have its product exist in this maturity stage for as long as possible. Important The stage of a product's life cycle impacts how it is marketed to consumers. A new product needs to be explained, while a mature product needs to be differentiated from its competitors. **Decline Stage** As the product takes on increased competition and other companies emulate its success, the product may lose market share. This is when the decline state begins. Product sales begin to drop due to market saturation and alternative products. If customers have already decided whether they are loyal to the product or prefer those of its competitors, the company may choose not to invest in additional marketing efforts. Should a product be entirely retired, the company will cease generating support for it and phase out all marketing and production endeavors.	
4.a.	**UNCTAD Characteristics:** Focal Point: It's the primary UN body for integrated trade and development issues, linking trade with finance, technology, investment, and sustainability. Development-Focused: Its main mission is to help developing countries (especially LDCs) benefit from globalization, fostering equitable participation. Intergovernmental Forum: Serves as a unique space for member states (195 members) to discuss, negotiate, and build consensus on global economic policies. Research & Analysis: Conducts economic research, provides analysis, and produces policy recommendations to guide government decisions. Capacity Building: Offers technical assistance and practical tools (like for investment promotion) to build countries' development capacities. Broad Mandate: Covers diverse areas like debt management, digital economy, entrepreneurship, climate action, and resource management.	**3**
4.b.	The WTO promotes smooth, predictable, and free trade through core principles like Non-Discrimination (MFN & National Treatment), Reciprocity, Transparency, and Binding Commitments, while its key functions involve administering agreements, acting as a negotiation forum, settling disputes, monitoring policies, and providing technical aid to developing nations, all to ensure a rules-based, fairer global trading system. Core Principles Non-Discrimination: Treating other members equally through: Most-Favoured-Nation (MFN): Not favouring one country over another (e.g., if you lower a tariff for one, you must for all). National Treatment: Treating imported goods the same as domestic ones once they've crossed the border. Reciprocity: Ensuring that when members open markets, others do the same, creating mutual benefits. Transparency: Making trade policies open and clear to all members. Binding Commitments: Members agree to limit tariffs and other trade barriers, making them predictable. Safety Valves: Allowing exceptions for public health, environment, or national security. Key Functions Administering Agreements: Overseeing the implementation of WTO trade deals. Forum for Negotiations: Providing a platform for members to negotiate new trade liberalization. Dispute Settlement: Resolving trade conflicts between members through a formal, rules-based process. Monitoring Policies: Reviewing national trade policies and ensuring compliance. Technical Assistance: Helping developing countries build trade capacity and benefit from the system. Cooperation: Working with other international bodies like the IMF and World Bank.	**7**

4.c.	Economic Integration Economic integration is the process of countries reducing trade barriers and coordinating policies for closer economic ties, moving through stages like Free Trade Areas (no internal tariffs, own external policy), Customs Unions (adds common external tariff), Common Markets (adds free movement of labor/capital), and Economic Unions (adds policy coordination), culminating in Complete Integration, with the EU as a prime example. Levels of Economic Integration Preferential Trade Area (PTA): The first step, where members lower tariffs for specific products from other members but don't eliminate them. Free Trade Area (FTA): Members eliminate tariffs on most goods/services among themselves but maintain independent trade policies with non-members (e.g., USMCA). Customs Union: An FTA plus a common external tariff (CET) for all non-member countries, creating a unified trade policy externally (e.g., MERCOSUR). Common Market: A customs union that allows for the free movement of factors of production: labor, capital, and technology, in addition to goods (e.g., European Common Market). Economic Union: A common market with harmonized economic policies, including monetary (currency) and fiscal (tax/spending) policies (e.g., EU before full monetary union). Economic and Monetary Union (EMU): Adds a single currency and coordinated monetary policy (e.g., Eurozone). Complete Economic Integration: The highest stage, involving full fiscal and monetary union, essentially a single economic state (e.g., the EU as a whole).	**10**
5.a	MNC stands for Multinational Corporation, a large company with operations, assets, or facilities in multiple countries beyond its home base, like Amazon or Samsung, contributing to economies through investment, jobs, and tech transfer	**3**
5.b.	B.MNC growth stems from globalization, tech advancements, and liberalized economies, giving them huge capital, superior tech/R&D, and global reach to access lower costs, new markets (huge populations in developing nations), skilled talent, and economies of scale, all while leveraging supportive government policies (like SEZs) and efficient logistics for competitive advantages. Economic & Market Factors Globalization: Reduced trade barriers (tariffs/quotas) and integrated financial markets allow seamless cross-border operations. Market Expansion: Access to vast, untapped consumer bases in developing nations with growing living standards. Lower Production Costs: Setting up in countries with cheaper labor and resources. Economies of Scale: Large scale operations lead to lower average costs. Supportive Governments: Policies like liberalization (LPG reforms) and creating Special Economic Zones (SEZs) attract MNC investment.	**7**
5.c.	MNCs offer advantages like job creation, tech transfer, economic growth, diverse products, and infrastructure development, boosting host country economies; however, disadvantages include harming local businesses, resource exploitation, potential labor/environmental abuses, tax avoidance, and creating dependency, requiring careful regulation for balanced growth. **Advantages of MNCs (for Host Countries)** Economic Growth & Jobs: Bring foreign investment, create local employment, and boost overall income levels. Technology & Skills: Transfer advanced technology, R&D, and managerial skills, improving local industry. Competition & Quality: Increase market competition, leading to better quality and lower-priced goods for consumers. Infrastructure: Invest in local infrastructure like roads, power, and water. Exports & Balance of Payments: Help host countries earn foreign exchange through increased exports. **Disadvantages of MNCs** Local Business Threat: Outcompete and potentially drive out small domestic firms. Resource Exploitation: May overuse natural resources and exploit cheap labor for profit.	**10**

	Environmental Impact: Can lead to pollution and environmental degradation. Economic Dependency: Make host economies reliant on MNC decisions and global markets. Tax Avoidance: Utilize loopholes to avoid paying significant taxes, reducing government revenue.	
6.a.	Global finance is characterized by its interconnected, borderless nature, linking economies through cross-border capital flows, diverse participants (governments, firms, investors), high liquidity, and complex interactions between national regulations, technology, and varying economic conditions	**3**
6.b.	IHRM factors include Cultural differences, Legal/Political environments, Economic conditions, and Technological advancements, alongside internal aspects like company strategy, structure, and HR's role in global talent acquisition, performance, training (especially cross-cultural), compensation, and managing expatriates/mobility, all requiring adaptation to diverse national contexts. External Factors Political-Legal: Government policies, labor laws, regulations, stability, and immigration rules in different countries. Economic: Workforce availability, market conditions, national income, inflation, and cost of labor. Socio-Cultural: Cultural values, norms, workforce expectations, communication styles, and work-life balance views. Technological: Skill demands, impact on recruitment (e-recruitment), and HR systems across borders. Internal Factors & IHRM Functions Strategy & Structure: How global strategy (e.g., ethnocentric, polycentric) influences HR policies and centralized vs. decentralized control. Global Staffing: Talent acquisition from global pools, managing expatriates (selection, training, repatriation). Training & Development: Cross-cultural training, adapting programs to diverse employee needs. Performance Management: Adapting appraisal systems to cultural expectations. Compensation & Benefits: Designing pay packages that are globally competitive and locally compliant	**7**

6.c.	International marketing functions involve adapting the core marketing mix (product, price, place, promotion) for different countries, focusing on cross-border activities like exporting, importing, franchising, and global branding, all while navigating diverse cultures, laws, and economies to achieve global growth, increase sales, build brand awareness, and optimize resource use. Key tasks include deep market research, localization (tailoring to local needs), managing international logistics, and developing strategies for market entry and expansion. **Core Functions of International Marketing** Product/Service Adaptation: Modifying products, features, or packaging to fit local tastes, regulations, and needs (e.g., language, voltage). Pricing: Setting prices considering currency fluctuations, local purchasing power, tariffs, and competition. Promotion: Crafting region-specific advertising, messaging, and campaigns that resonate culturally. Distribution (Place): Establishing supply chains, logistics, and choosing entry modes (export, licensing, FDI). Strategic & Operational Functions Market Research: Analyzing foreign consumer behavior, legal frameworks, economic conditions, and political environments. Market Entry: Deciding *how* to enter markets (exporting, joint ventures, wholly-owned subsidiaries). Globalization & Localization: Balancing a consistent global brand with tailoring strategies for local markets (glocalization). Brand Management: Building global brand recognition while maintaining local relevance. International Logistics: Managing complex cross-border transportation, customs, and foreign exchange. Broader Economic Functions (Benefits) Economic Growth: Drives industrial development, job creation, and resource optimization. Improved Living Standards: Makes unavailable goods accessible and fosters competition, lowering prices. Foreign Exchange: Earns currency for essential imports, like technology. Cultural Exchange: Promotes understanding between nations. The Association of Southeast Asian Nations (ASEAN) is a political and economic union of	**10**

7.a	ten Southeast Asian countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam) promoting economic growth, political stability, security, and socio-cultural integration through cooperation, founded in 1967 with the motto "One Vision, One Identity, One Community"	3
7.b	**TRIPS (Trade-Related Aspects of Intellectual Property Rights)** **Focus:** Intellectual Property (IP) – patents, copyrights, trademarks, trade secrets, etc.. **Goal:** Harmonize IP protection worldwide, promote innovation, and facilitate technology transfer. **Mechanism:** Sets minimum standards for IP protection and enforcement that all WTO members must adopt into their laws. **TRIMS (Trade-Related Investment Measures)** **Focus:** Investment policies affecting trade in goods, especially those targeting foreign investors. **Goal:** Prevent investment measures that act as trade barriers or distort trade, promoting fair investment conditions. **Mechanism:** Prohibits specific policies like local content requirements, trade balancing, and export performance requirements that favor domestic firms.	7
7.c	The IMF's core objectives are fostering global monetary cooperation, ensuring financial stability, facilitating trade, promoting high employment/sustainable growth, and reducing poverty, while its role involves Surveillance (monitoring economies), Financial Assistance (lending during crises), and Technical Support (policy advice) to stabilize exchange rates, resolve balance of payments issues, and guide sound economic policies, all vital for smooth global business flow. Objectives of the IMF Promote Monetary Cooperation: Encourage international monetary collaboration to maintain stable exchange rates and payment systems. Secure Financial Stability: Prevent crises and maintain orderly financial systems worldwide. Facilitate International Trade: Remove barriers to expand balanced global trade. High Employment & Growth: Support policies leading to high employment and sustainable economic growth. Reduce Poverty: Help countries develop resources to improve living standards.	10

8.a	Role in the Global Business Context Surveillance: Monitors members' economies and global trends, providing policy recommendations to prevent imbalances and ensure stability. Financial Assistance: Offers temporary loans (e.g., for balance of payments issues) to countries facing economic distress, preventing defaults and stabilizing markets. Technical Assistance: Provides training and expertise to help countries build strong economic institutions and implement sound fiscal/monetary policies, boosting business confidence. Exchange Rate Management: Works to stabilize currencies, reducing volatility that disrupts international trade and investment. Crisis Management: Acts as a global lender of last resort and coordinator during financial crises (like the 2008 crisis) to contain contagion and restore confidence. Part B - Case Analysis Various functions carried out by Pepsi to meet international market demand In order to ensure success and long term sustaibility PEPSI might have followed certain rigorous functions as like a) Market Research and Market Selection Pepsi conducted extensive market research before entering new countries such as Latin America, the Middle East, Europe, Russia, and Japan. It identified market gaps, such as the boycott of Coca-Cola in Arab countries. Understanding political, cultural, and economic conditions helped Pepsi choose suitable markets. b) Product Planning and Development Although Pepsi kept its core product the same, it adapted branding and promotion strategies to suit local tastes. In Japan, Pepsi introduced Pepsiman, a culturally relatable character. This shows product positioning adaptation without changing the product itself. c) Promotion and Advertising Pepsi used different promotional strategies across countries:Comparative advertising in markets where it was accepted.Non-comparative, culture-specific advertising in countries like Japan.Use of political symbolism (US and Russian leaders drinking Pepsi) to build brand	10

acceptance.

d) Pricing Strategy

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Pepsi adopted competitive pricing, especially in markets where Coca-Cola had an early advantage.In the Middle East, monopoly conditions allowed Pepsi to strengthen its market position.

e) Distribution and Market Entry Strategies

Pepsi entered international markets through:Strategic alliances ,Bottling agreements Government approvals (e.g., Russia during the Cold War) . This ensured availability and accessibility of the product across countries.

f) Branding and Positioning

Pepsi positioned itself as: A youthful, modern, and global brand , Yet flexible enough to adapt to local cultures and values

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8.b

Challenges Pepsi would face if it did not follow cultural factors in international marketing

Ignoring cultural factors can create serious challenges in international markets. Pepsi's experience highlights the following risks:

a) Failure of Advertising Campaigns

If Pepsi had continued the Pepsi Challenge in Japan: Consumers might feel confused or offended , The concept of comparative advertising was unfamiliar, This could damage brand image instead of strengthening it

b) Cultural Alienation

Cultural insensitivity can make consumers feel: Disrespected, Ignored, Disconnected from the brand, This leads to loss of trust and loyalty.

c) Reduced Market Share

Without adapting to local culture: Pepsi would fail to connect emotionally with consumers Competitors with local understanding would gain advantage Sales and market share would decline

d) Negative Brand Perception

A global campaign without localization may appear: Arrogant, Foreign Irrelevant , This weakens long-term brand equity.

e) Legal and Ethical Issues

Some countries prohibit: Comparative advertising, Certain promotional messages , Ignoring these could result in legal penalties and bans.

f) Loss of Competitive Advantage

Pepsi’s success in markets like Japan and the Middle East was due to cultural adaptation. Without it, Pepsi would lose its ability to compete effectively with local and global rivals.

Conclusion

Pepsi’s international success demonstrates that international marketing is not about standardization alone, but about balancing global strategy with local adaptation.
By modifying its marketing functions—especially promotion and branding—to suit cultural differences, Pepsi avoided alienation and achieved significant growth.
Ignoring cultural factors would have resulted in advertising failures, consumer rejection, and loss of market share.

Question Number	Solution	Marks Allocated