

UNIVERSITY OF BRADFORD

MSc INTERNATIONAL BUSINESS STRATEGY

MAN4140M

07 May 2013

16:00 – 17:00 hours

Answer **ONE** of **THREE** questions

Each question carries equal marks

Answer **ONE** question

QUESTION 1

Please read the fictional case of a company called HouseRobots below and answer the following questions:

HouseRobots' Internationalisation Strategies

Ms Smith is the head of a medium-sized UK company called HouseRobots that specialises in small electronic devices that clean floors and carpets. The devices contain complex electronics, but have been proven to work effectively on all types of floor coverings and in different weather conditions. HouseRobots is a UK-only company, but Ms Smith and her colleagues have been considering international expansion. South-East Asian markets, such as China, Thailand, Malaysia, Indonesia and Taiwan, where few indigenous competitors exist, seem particularly attractive.

Neither Ms Smith nor any of her team have any knowledge or experience of these potential markets. Consequently, Ms Smith has been making plans to research the South-East Asian markets, potentially working with export agents in order to make initial exploratory sales before using more investment-intensive strategies. She hopes to use export agents who have distribution contacts in several different markets at once.

Suddenly, Ms Smith is contacted by an electronics manufacturer from Indonesia called HomeDevices. HomeDevices proposed a joint venture, where the two companies would manufacture floor-cleaning robots in Indonesia for the Indonesian market, with potential exports to other South-East Asian markets. HouseRobots would provide the technology and HomeDevices would take care of the distribution channels. The offer has one condition, however. If HouseRobots enter the joint venture with HomeDevices, they will have to agree not use use other distributors in the South-East Asian markets for a period of three years.

- A) Which internationalisation strategy do you think is most viable for HomeDevices – the joint venture with HomeDevices or use of export agents? Use appropriate internationalisation theories to frame your answer.

(60% of marks)

- B) Based on the strategy choice you made in (A), discuss the steps that HomeRobots should undertake to evaluate their potential business partners and manage the relationship with them to ensure success of this strategy.

(40% of marks)

PTO

QUESTION 2

Please read the fictional case of a company called Milan Wear below and answer the following questions:

International Outsourcing: Practicalities and Ethics

Milan Wear is an Italian shoe designer and manufacturer of mid-price footwear. The company is several decades old and has an excellent international reputation for the quality of its design and manufacturing. Throughout its history, it manufactured all its products in Italy in its own factories. Recently, however, Milan Wear is faced with increasing competition from similar footwear manufacturers who chose to outsource their production to countries with cheaper labour, particularly in South-East Asia and Eastern Europe.

Milan Wear management are considering the outsourcing of their manufacturing to a country with cheaper labour. One of the problems that they face with the selection of location is that countries with well-established and less risky outsourcing services (such as China) have been experiencing a rise in labour costs that may erase the cost savings to foreign clients.

Another concern of Milan Wear is how outsourcing may impact its reputation. The company has always been effective in addressing the concerns of its varied stakeholders. The management are trying to assess what ethical challenges both the nature of outsourced business processes and the institutional environment of production in a foreign country may pose for Milan Wear.

- A) Critically assess the potential business costs and benefits of outsourcing in the case of Milan Wear. How may Milan Wear minimise the costs if it chooses to outsource its production?

(50% of marks)

- B) What business ethics challenges may outsourcing pose for Milan Wear? How may the company address these challenges?

(50% of marks)

PTO

QUESTION 3

Please read the fictional case of a company called The Falafel below and answer the following questions:

Innovation in a Franchise

The Table is a highly successful and highly internationalised French kitchen wear (pots, pans, dishes, cutlery, etc.) company. The company uses a global organisational structure in the design and manufacturing part of the business, and a multinational structure in the distribution side. The top management, the finance department, and a dedicated design team are located in the home country. The Table manufactures its products in factories in several foreign countries, normally where the labour is cheaper, sometimes using outsourcing vendors. The company distributes its products through an international chain of branded stores that operate under a franchise system. As in many similar franchise arrangements, The Table tightly controls the operations of its franchise vendors by providing detailed operation, service and product manuals, regularly making monitoring visits to the stores, and organising training sessions for the vendors. The stores are only allowed to stock The Table products.

While The Table is highly successful, the recent years showed a slow but steady decline in profits. The Table's managers think this decline may have something to do with the growth of indigenous competition on the kitchen wear markets in many countries. The managers would like to structure the product innovation and design processes in their company to respond to these new competitive pressures.

- A) Critically evaluate the challenges that The Table's organisational structure poses for innovation in general, and for innovation that could help deal with the indigenous competition in the foreign markets in particular.

(50% of marks)

- B) Considering that drastic change in the organisational structure (e.g. removing the franchise model of distribution) is not feasible, suggest what steps The Table can undertake to become more innovative and compete successfully against indigenous firms in its foreign markets. Discuss how the company can address any challenges that may arise during this process.

(50% of marks)