

**MNI301J**

(494005) October/November 2009

GLOBAL BUSINESS ENVIRONMENT (BUSINESS MANAGEMENT 301)

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

PROF PN PALMER

SECOND

MR RA AREGBESHOLA

EXTERNAL

PROF K OJAH (WITWATERSRAND)

Use of a non-programmable pocket calculator is permissible

This paper consists of 8 pages plus instructions for the completion of a mark-reading sheet

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INSTRUCTIONSThis paper comprises two sections, namely **Section A** and **Section B****Section A**

- Section A comprises **twenty compulsory** multiple-choice-type questions
- Each question counts **one mark**
- The total for this section is **20 marks**
- The questions must be answered on the **mark-reading sheet**.

Section B

- Section B comprises **three** essay type questions
- You must do **any two** of the three questions
- Each question is worth **25 marks**
- The total for this section is **50 marks**
- Clearly indicate the **numbers** of the questions you have answered in your examination answer book
- Also indicate the numbers of questions you have answered on the **cover** of this book

This is a **closed-book examination**. You may not consult notes of any kind, or any person except the invigilator, during the examination session

[TURN OVER]

SECTION A

- Answer **ALL TWENTY** multiple-choice questions in this section Use the computer mark reading sheet to record your answers Each question counts **ONE** mark
- The total for this section is 20 marks

Question 1

The following are all very desirable benefits of the globalisation process, except

- 1 Globalisation improves the overall competitiveness of nations
- 2 Globalisation results in the more efficient utilisation of regional resources
- 3 Globalisation leads to lower prices for goods and services
- 4 Globalisation increases consumer income

Question 2

Globalisation

- 1 represents a shift toward a more integrated and interdependent world economy
- 2 provides an antidote to state-inclined protectionism
- 3 always guarantees economic development and growth
- 4 leads to the negation of core human values

Question 3

Tariffs may be used by governments to generate revenue or to discourage the importation of certain goods They generally

- 1 require less administration and bureaucratic supervision
- 2 discourage stakeholder privileges in the administration thereof
- 3 weaken supply and demand patterns
- 4 deepen the choices available to consumers

Question 4

Which **ONE** of the following is **NOT** a factor influencing foreign direct investment?

- 1 Prevailing attitude towards foreign investors in the host country
- 2 The history of economic performance in the host country
- 3 Cultural disparities between host countries
- 4 Labour unions' activities in the host country

[TURN OVER]

Question 5

International trade theory has shaped the economic policy of many nations for the past 50 years. Which of the following statements reflect the rationale of the various international trade theories?

- 1 Mercantilism describes the profound contribution that David Ricardo's principles of political economy and taxation have made to our understanding of international trade theory
- 2 The theory of comparative advantage describes Adam Smith's explanation of the process by which markets and production actually operate
- 3 The Heckscher-Ohlin theory is premised on the theory of comparative advantage, thereby explaining how a country's factor endowments, if properly used, give it a distinct trading advantage over other countries
- 4 The product life-cycle theory illustrates how state power can be used to build up particular economic sectors and industries in their various stages of evolution

Question 6

Which **ONE** of the following alternatives is **NOT** correct?

- 1 Cross-cultural literacy in international business can be enhanced by developing cosmopolitan executives on the basis of a geocentric approach to management development and staffing
- 2 Research has shown that a strong entrepreneurial orientation in a society is encouraged by a culture that is low on power distance, weak in uncertainty avoidance, masculine in nature and individualistic
- 3 According to the cultural parameters of Trompenaars, particularist cultures generally focus more on rules and procedures than on relationships, whereas the opposite is true of universalist cultures
- 4 General levels of education in a foreign country are of particular importance for multinational enterprises that adhere to a polycentric or geocentric approach of staffing

Question 7

In the context of "culture" in international business, which one of the following alternatives would not be regarded as a form of "silent language"?

- 1 The raising of eyebrows
- 2 Body language (movement of head, hands etc)
- 3 Perception of time
- 4 Subtle differences in the use of vocabulary

[TURN OVER]

Question 8

Which **ONE** of the following is **NOT** correct?

- 1 Buyers and sellers involved in international trade are at times also subject to international law, the body of rules which regulates relationships between countries and other international legal persons
- 2 International law is usually created by a global institution such as the World Trade Organisation, which also oversees the enforcement of these laws
- 3 The common law system in a country is generally based on precedents or past practices within the legal experiences of the country concerned
- 4 A country's legal system is partly derived from its political system and political climate

Question 9

The purpose of a customs union is to

- 1 Expand the size of the import market of host countries
- 2 Exploit the host country's balance of payments position
- 3 Eliminate trade barriers between member countries and to facilitate the adoption of a common external trade policy
- 4 Accommodate specialisation and the division of labour

Question 10

Which **ONE** of the following is not a criteria for the creation of successful regional trade blocs and trade agreements?

- 1 A trade bloc should be situated in a certain geographical area
- 2 Close geographical proximity of members
- 3 Homogenous labour capacity and manufacturing skills among member countries
- 4 Trading relations with the trade bloc should be governed by a formal agreement

Question 11

Which of the following is **NOT** regarded as an environmental risk?

- 1 Inability of managers to forestall labour disputes and unrests
- 2 The imposition of import and export controls by the host government
- 3 Sudden change in the host nation's fiscal regulations
- 4 Political interventions such as government take-overs, nationalisation of industries and expropriation of private property

[TURN OVER]

Question 12

Which of the following is **NOT** a reason for the lack of development in command economies?

- 1 Lack of creation of economic value
- 2 Lack of consumer needs satisfaction and improvement in overall quality of life
- 3 Lack of monopolistic interventions
- 4 Failure to measure up to the achievements of other economic systems

Question 13

Developing economies usually exhibit all of the following characteristics **EXCEPT**

- 1 enjoy relative political and economic stability that facilitates market-based economies
- 2 enjoy a developing financial sector aided by a low-efficient technological system
- 3 enjoy a high level of innovation and an entrepreneurship spirit
- 4 are increasingly involved in international trade with a relatively high level of trade deficit

Question 14

Which one of the following options best describes the concept of Purchasing Power Parity?

- 1 The relative ability of one currency to buy the same level of goods and services in every country
- 2 The relative ability of two currencies to buy the same level of goods and services in the two countries under consideration
- 3 The relative ability of two currencies to buy the same level of goods but not services in the two countries under consideration
- 4 The relative ability of two currencies to buy the same level of services but not goods in the two countries under consideration

Question 15

Which one of the following is significant in transforming command economic systems and mixed economic systems into market economies?

- 1 new opportunities for information, knowledge, and technology transfer
- 2 new opportunity to protect home-grown technologies and expertise
- 3 new opportunities to fully regulate corroborative agreements
- 4 new opportunities to prevent foreign expansion of local business

[TURN OVER]

Question 16

Increasing interdependence of businesses across the world has furthered the roles and challenges facing global managers. To conciliate these complexities, global managers are expected to possess diverse knowledge. In line with these, one of the crucial knowledge attributes required of a global managers is

- 1 the possession of strategic, conceptual abilities to articulate a tangible vision
- 2 the possession of super-natural intuition that broadens the horizon of local managers' perspectives in such a way that it pre-empts local market behaviour
- 3 the possession of technological skills required to interpret e-accounts
- 4 the possession of good knowledge traditions and norms to appease local employees

Question 17

A firm can achieve competitive advantage over its competitors by doing all of the following, **EXCEPT**

- 1 exploring national differences in input and output markets
- 2 achieving economies of scale through its different activities
- 3 achieving economies of scope/synergies through diversification of its activities
- 4 achieving economies of scope/synergies through concentration of its activities

Question 18

When selecting an optimal entry mode into a foreign country, a firm that enjoys prominent competitive advantage in technological know-how is expected to adopt _____ as an entry mode

- 1 licensing
- 2 strategic alliances
- 3 franchising
- 4 a wholly-owned subsidiary

Question 19

One of the major justifications for multinational firms to adopt a polycentric approach in strategic human resources management is

- 1 to respond to socio-cultural, political, and economic dynamics of the host country
- 2 to expose local managers to career development opportunities outside their countries
- 3 to develop an international executive team across racial and cultural lines
- 4 to create a pool of experienced executives through rotations and transfers across subsidiaries

[TURN OVER]

Question 20

Which one of the following is a factor to consider when forming a strategic alliance?

- 1 careful selection of the alliance partners
- 2 equal allocation of alliance obligations
- 3 prior deep friendship among alliance partners
- 4 competitive skills and competence of proposed alliance partners

SECTION B

ANSWER ANY **TWO** OF THE THREE QUESTIONS LISTED BELOW YOU MUST DO ANY **TWO** OF THE THREE QUESTIONS

EACH QUESTION IS WORTH 25 MARKS

THE TOTAL FOR THIS SECTION IS 50 MARKS

Question B 1

- B1 1 Define "globalization" and elaborate on the forces driving globalization (10)
- B1 2 Explain the importance of "market entry" barriers and elaborate on the different tariff barriers that can be used to generate revenue or to discourage the importation of specific goods (8)
- B1 3 Comment on the use of non-tariff barriers and give examples of such non-tariff barriers (7)
- [25]

[TURN OVER]

Question B 2

- B2 1 Briefly discuss Porter's theory of national competitive advantage (Porter's Diamond), and explain the implications and benefits of his theory with respect to an international firm deciding where to locate the firm's foreign productive facilities (10)
- B2 2 Briefly describe the following concepts/developments as they pertain to international business
- (a) "Dumping" and "anti-dumping" policies (6)
 - (b) "Free trade" area (3)
 - (c) The advent and purpose of the "Euro-zone" (6)
- [25]

Question B 3

Deciding on the most appropriate "strategic alliance" for value creation by expanding activities internationally requires the following considerations, which are not always applicable to purely domestic business firms

- Deciding on the type of foreign market "entry mode" through which to forge an appropriate strategic alliance,
- Evaluating the importance of strategic alliances for South Africa

In the light of these constraints you are required to

- B3 1 Tabulate the **advantages and disadvantages** of the various "entry modes" [List the entry modes and their corresponding advantages and disadvantages as you present your answer] (12)
- B3 2 Present and discuss the factors to consider when forming global (international) strategic alliances (5)
- B3 3 List and discuss the motivations for entering into international strategic alliances (8)
- [25]

TOTAL (SECTION B): [50]

TOTAL [70]

PART 1 (GENERAL/ALGEMEEN) DEEL 1

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INITIALS AND SURNAME
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 DATUM VAN EKSAMEN

EXAMINATION CENTRE (E.G. PRETORIA)
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For use by examination invigilator
 Vir gebruik deur eksamenopsiener

- IMPORTANT** **BELANGRIK**
- 1 USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
 - 2 MARK LIKE THIS
 - 3 CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
 - 4 ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
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 - 7 CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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Specimen only

MARK READING SHEET INSTRUCTIONS

Your mark reading sheet is marked by computer and should therefore be filled in thoroughly and correctly

USE ONLY AN HB PENCIL TO COMPLETE YOUR MARK READING SHEET

PLEASE DO NOT FOLD OR DAMAGE YOUR MARK READING SHEET

Consult the illustration of a mark reading sheet on the reverse of this page and follow the instructions step by step when working on your sheet

Instruction numbers ① to ⑩ refer to spaces on your mark reading sheet which you should fill in as follows

- ① Write your paper code in these eight squares, for instance

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- ② The paper number pertains only to first-level courses consisting of two papers

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- ③ Fill in your initials and surname
- ④ Fill in the date of the examination
- ⑤ Fill in the name of the examination centre
- ⑥ WRITE the digits of your student number HORIZONTALLY (from left to right). Begin by filling in the first digit of your student number in the first square on the left, then fill in the other digits each one in a separate square
- ⑦ In each vertical column mark the digit that corresponds to the digit in your student number as follows [-]
- ⑧ WRITE your unique paper number HORIZONTALLY
NB Your unique paper number appears at the top of your examination paper and consists only of digits (e.g. 403326)
- ⑨ In each vertical column mark the digit that corresponds to the digit number in your unique paper number as follows [-]
- ⑩ Question numbers 1 to 140 indicate corresponding question numbers in your examination paper. The five spaces with digits 1 to 5 next to each question number indicate an alternative answer to each question. The spaces of which the number correspond to the answer you have chosen for each question and should be marked as follows [-]
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