



GL BAJAJ

Institute of Management & Research

Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No.....

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2020-22)

END TERM EXAMINATION (TERM -II)

Subject Name: **International Business Environment**

Time: **02.30 hrs**

Sub. Code: **PG-11**

Max Marks: **60**

Note:

1. All questions are compulsory. Section A carries 10 marks: 5 questions of 2 marks each, Section B carries 30 marks having 3 questions (with internal choice question in each) of 10 marks each and Section C carries 20 marks one Case Study having 2 questions of 10 marks each.

SECTION - A

Attempt all questions. All questions are compulsory.

2× 5 = 10 Marks

Q. 1 (A): Compare and contrast international business with domestic business.

Q. 1 (B): Point out the advantages and disadvantages of Capitalism

Q. 1 (C): Define Balance of Trade with suitable example.

Q. 1 (D): List down the risks associated with international trade.

Q. 1 (E): Point out your understanding related to regional economic integration with example.

(CO1)

SECTION - B

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice)

03× 10 = 30 Marks

Q. 2: A. Discuss the major cultural factors that effects the international business. Support your answer with suitable illustrations. **(CO2)**

Or

B. “Firms need global orientation even to survive the domestic market” Elucidate. **(CO2)**

Q. 3: A. Explain the framework for analyzing the international business environment in detail with suitable examples. **(CO3)**

Or

B. Technology plays great role as a disruptor for business and economy. Support the given statement by citing relevant examples. **(CO3)**

Q. 4: A. Discuss how the Economic system of a country affects its business environment. Give suitable examples to support your answer. **(CO2)**

Or

B. What do you mean by Regional Economic Integration (REI)? What role REI's play in promotion of foreign trade and fund raising? Elaborate. **(CO2)**

SECTION - C

Read the case and answer the questions

10×02 = 20 Marks

Q. 5: Case Study: Indian Companies on a Global Stage

The AV Birla group's takeover of the U.S. based aluminum products manufacturer, Novelis for a consideration of approximately \$6 billion came within two weeks after the Tatas inked their deal with the U.K. based steel producer Corus. That two of India's most admired business groups should move decisively ahead with their global growth strategies at roughly the same time might be a coincidence. But there are important similarities.

The Tata's and the AV Birla group have consciously pursued global strategies, and this had been evident even before their deals involving Corus and Novelis. A third of the Tata group's revenues already comes from abroad and with the Corus acquisition the ratio will go up sharply. The AV Birla group's dependence on international operations is strikingly similar. From almost 30 per cent now, the proportion of revenues generated from abroad will go up to 50 per cent. Around a fifth of the group's total manpower will be based abroad. In the case of Tatas this proportion is likely to be even higher given that TCS has been a global player for a very long time.

The U.S. based Novelis is a world leader in aluminum flat-rolled products and by acquiring it, Hindalco, the flagship of the AV Birla group, gets to reap substantial synergies, but over time. By June this year, when the acquisition formalities are through, it will become the fifth largest aluminum company in the world and get access to important global markets. It will add nearly one million tons of downstream aluminum facilities. The AV Birla group is expected to enter the list of Fortune 500 companies after the acquisition. Novelis counts among its customers GM, Ford, and Coca Cola.

Similar comments were made after the Tatas were declared winners in the battle for the control of Corus. Among the Anglo-Dutch company's strengths are its dominance in the specialty steels used in automotive, aeronautical and construction sectors and its investments in research and development. Tata Steel therefore gets access to these markets as well as to the R&D facilities. It bid for a company four times its size and after acquiring Corus became the world's fifth largest steel company. Tata Steel is among the lowest cost producers of steel in the world, a claim that Hindalco can make with justification for its core product, primary aluminum.

Many Similarities: There are other similarities too, extending to issues such as the ways both the Tata's and the Birla's propose to run the acquired companies. There has been no hint of disturbing the present managements. The two companies Corus and Novelis will, in all probability, be run as subsidiaries of their Indian parents. Even the routes the two companies are taking to finance the takeovers are similar. In both cases, a significant part of the debt is being raised outside the country on the strength of future earnings of the companies being taken over. That of course is possible only because of the standing of the Tata's and the Birla's. Their sterling reputations, for long recognized in India, have begun to count everywhere. Both acquisitions have not evoked any nationalist opposition from politicians of the host countries. Their trade unions too have not opposed the sales. All these are very different from the stormy reception Lakshmi Mittal faced initially while taking over the European steel major, Arcelor. Senior politicians from France and Luxembourg had initially rallied against the takeover.

The Tata's and the Birla's did not face opposition from the managements of the companies they were taking over. In fact, the two Indian companies were invited. Indeed, much has been made of the cultural fit between the acquirers and the acquired companies. While the Tatas faced competition from CSN and consequently had to pay more than what they had envisaged, the Hindalco management is confident of their deal sailing through. Another similarity, though not in a complimentary sense, is that in the aftermath of both deals, many analysts felt that the price being paid was too high in relation to the likely benefits. But on balance most agree that the two acquisitions make for strong business sense, over the medium term. A noteworthy point is that all such cross-border deals are possible because of the even handed treatment meted out to all the parties by the regulators in Europe and North America.

In the Corus acquisition, it was the regulator in the U.K. who forced the Tatas and CSN, the Brazilian bidder, into a head-to-head auction, in which the Tatas clinched the issue.

It's just the beginning.

There is something inherently exciting about the news of Indian companies, admittedly only the best rated ones, taking over companies with strong traditions in Western Europe and North America. Hindalco's takeover of Novelis and the Tatas' acquisition of Corus are spectacular in every sense of the word but there has already been a steady acceleration in the pace of Indian companies going global.

Many of them have made a mark. Bharat Forge is the world's second largest forging company. Ranbaxy is one of the top ten generic pharmaceutical manufacturers in the world. Wipro and Infosys are great brand names globally. The list will expand in days to come. It is not just a question of Indian companies expanding abroad. Simultaneously there has been greater foreign interest in India than at any time before. As the Vodafone offer for Hutch-Essar shows, foreign interests are not shy to invest in India even if the valuations are steep.

One must give credit to the reform process that began in the 1990s for the catalytic role it has played in India's globalization drive. The Indian corporate sector learnt to withstand fierce competition from abroad and then took the battle to the most advanced countries. This calendar year is likely to witness new records in the number of mergers and acquisitions (M&As) involving Indian companies. Already in the first one and a half months, Indian companies have been involved in M&A deals worth \$32 billion. Today's globalization drive by Indian companies may well be sound business strategy, a necessity rather than an opportunity to do business without the cumbersome restraints of the pre-reform days.

Questions:

Q 5(A): Critically analyze the above case; Evaluate the strength of both companies Tata's and Birla's to conduct their business internationally. **(CO4)**

Q5(B): Consider yourself as export manager of the company, what plan of action you would recommend to the Indian companies to succeed in the international market? **(CO4)**

Mapping of Questions with Course Learning Outcome

Question Number	COs	Marks Allocated
Q. 1:	CO1	10 marks
Q. 2:	CO2	10 marks
Q. 3:	CO3	10 marks
Q. 4:	CO2	10 marks
Q. 5: A	CO4	10 marks
Q5: B	CO4	10 marks