CONCURRENT EVALUATION

MBA - SEMISTER IV

INTERNATIONAL BUSINESS SPECIALISATION

Global Competitiveness, Value Chains and Alliances (409)

Faculty Name: Prof. Dr. Manisha Jagtap

Important Instructions:

1. The subject is evaluated on the basis of the following component

Component No	Component	Marks	Submission Instructions	Submission Date
1	Creating a Quiz	50	Name your file as : **GCVC&A409IB < Student Full Name>** File Format: **MS Excel** Send it on mailid: **drmanishajagtapdimr@gmail.com**	**20th August 2022**
2	Case study Analysis	50	**Write on Assignment Sheets**	**20th August 2022**

Component No	Create A Quiz	Submission Date :
1		20th August 2022

1. Students are required to create a quiz for all **the 5 units** of **Global Competitiveness, Value Chains and Alliances (409)**
2. For each unit students need to draft 10 Multiple choice questions
3. Excel sheet has to be created with the columns shown below. One excel sheet for all 50 questions.

Q. NO	Question Text	Option 1 (A)	Option 2 (B)	Option 3 (C)	Option 4 (D)	Answer Key	Unit No. & Topic Title	Name of the Source Book Referred & Page number	Other sources referred and link of the source

Submission Instructions:

- Name your file as : **GCVC&A409 IB < Student Full Name>**
  - File Format: **MS Excel**

Send it on mailid: **drmanishajagtapdimr@gmail.com**

Component No	Case study Analysis
2	

Students are required to solve all the 5 cases with proper reading the concepts. Scrutinize the enclosed case study & answer the questions at the end of the case study. Write the analysis in Assignment sheets.

CASE 1: BENEFIT FROM EXPORT COMPETITIVENESS

Improving export competitiveness is important and challenging but it is not an end in itself. It is only a means to an end: the promotion of development. This raises the question of the benefits resulting from TNC associated trade, beginning with improving the trade balance, and continuing with upgrading export operations and sustaining them over time. In each case, the issue is how host developing countries can most benefit from the assets that TNCs command. Much depends on the strategies pursued by TNCs within their international production systems, on the one hand, and local infrastructure and technological, institutional and supplier capabilities as well as the policies purchased by Governments on the other.

A first approximation for assessing benefits and costs although not the most important one --- involves the trade balance. Even though export-oriented FDI helps to increase exports, foreign affiliates also import, and imports may increase significantly along with exports. In such cases, net foreign exchange earnings may be negligible. Moreover, high export values may co-exist with low levels of local value added. This is typically the case, for example, when foreign affiliates mainly assemble imported components, reflecting and relatively unimportant role assigned to them in production systems. Measuring the trade balance of export-oriented foreign affiliates as well as their value added, is fraught with difficulties. The data typically lump together export-oriented FDI and domestically-oriented FDI, making it difficult to determine the trade balance of export-oriented foreign affiliates separately. (personably, the trade balance of domestic market-oriented FDI would be negative.) Furthermore, no systematic data exist on the composition of imports by foreign affiliates, which is relevant for understanding the implications for host economies. Scattered information suggests that the imports of parts and components were high in certain industries, such as telecommunications, electric machinery and vehicles especially in countries that hosted labour-intensive activities of international production systems. Furthermore, in developing countries, one would expect that newly established affiliates (or affiliates that intend to extend their capacities) would typically need to import capital goods (just as many domestic firms do) in order to expand local productive nature more likely to be indispensable for the production of the goods or services in question to take place--- than imports of components for assembly or other inputs (for which domestic alternatives may be available or capable of being developed), yet both types of imports would be counted simply as affiliate imports.

Moreover, imports would be particularly high when production facilities are being set up and reliance on home-country or other foreign suppliers of inputs tends to be high, and then personably decline (partly as a result of the growth of local linkages). The imports of foreign affiliates China are an instructive example (although one that cannot necessarily be generalized in this respect), in that the data show that a sustained part of imports by foreign affiliates consists of capital goods. Although the trade balance effects of foreign affiliates consists of capital goods. Although the trade balance effects of foreign affiliates activities remain the same when the composition of imports is taken into account, the overall economic implications for China are different as imports of capital goods add significantly to the capital stock and productive capacity of the country.

In any event, as far as the impact on a country's balance of payments position --- often a major underlying concern for developing countries (although somewhat diminished in importance as countries' exchange rate policies have become more flexible) --- is concerned, focussing on the trade balance captures only a part of the impact of TNC activities. Additional factors that need to be taken into account are capital inflows, the repatriation of earnings and capital, and other long-term impacts on the foreign exchange earnings affiliates and associated local companies. Such an analysis of the balance of-payments impact, which would also have to be weighed against their other (structural) effects on a country's development and welfare, falls outside the scope of the present export.

The question of upgrading exports relates to the extent to which FDI involves higher technological content and domestic value added in host country export production and a restructuring of exports from those based on static comparative advantage to those based on dynamic comparative advantage. The starting point is that specialization in different segments of international production systems may imply different benefits and competitive prospects. There is therefore some concern that specialization in labor-intensive segments, even of high-technology exports, may in some ways be undesirable as it may provide few benefits in training or technology and meager spillovers to the local economy. Besides the competitive edge of low-cost labour may disappear as wages rise. Still, labour intensive exports are economically beneficial as long as local value added is positive at world prices, even if it does not rise at the same pace as the total value of exports. In fact, where surplus labour is unlikely to be used in more remunerative or economically desirable activities, it is in the interest of the countries concerned that it be used in production for export. Any theory of comparative advantage would suggest that such countries should specialize in simple labour-intensive processes at the beginning of their export drive; the question is whether they can subsequently upgrade and sustain their exports.

TNCs can contribute to the upgrading of a country's competitiveness by either investing in higher-value added activities in industries in which they have not invested before or by shifting within an industry from low-productivity, low technology, labour intensive activities to high-productivity, high-technology, knowledge-based ones. The first of these processes is illustrated by a number of the winners discussed in this Part, especially those that experienced a notable shift --- as a result of substantial new FDI inflows and new roles in supplier networks --- from low to medium -- to high technology industries and sectors. Also rising significance is the growth of FDI associated service exports from developing countries. Intra-industry upgrading occurs in several ways. There is, first of all, the situation in which TNCs locate production facilities aimed at serving highly competitive national regional and global markets in a developing country, many of the dynamic products identified in chapter VI fall into this category. TNCs need to upgrade these production facilities continually just to survive, let alone capture higher-value products within the same industry. The success of countries such as, China, Ireland, Malaysia, Philippines and Singapore in upgrading the export competitiveness of their electronic industries is a case in point. Thus for example, Motorola, in its own interest substantially upgraded its facilities in China (box-VI.9); Ireland convinced Intel to upgrade beyond assembling and testing to water fabrication; and Malaysia established long-term relationships with Matsushita Electric and Sony working with them to upgrade their export operations for colour televisions into regional manufacturing operations. But even where strong corporate self-interest is involved government policy (often in close cooperation with TNCs) can play a role in encouraging upgrading in particular by ensuring that the production environment allows such upgrading and that it extends to more value-added functions such as R&D. The case of Motorola in China is case in point.

Sometimes similar tends to take place in the case of foreign affiliates hitherto protected by import barriers. Under pressure from trade liberalization and competition, many TNCs restructure --- in their own interest --- import substitution activities into export-oriented operations, at least in countries in which a competitive base exists, or can be created. Some outstanding examples are the automotive industry in Mexico and the colour television industry in Malaysia and Thailand. Here, policies played an important role, In Mexico, it was the launch of the maquiladora scheme, combined with the need of the automobile industry to find low-cost production sites and the further liberalization of NAFTA with its rules of origin for the automobile industry that had a profound effect on the country's export competitiveness. The rules of origin were initially established to help United States automobile TNCs to complete better in their home market against Asian, specifically Japanese, TNCs. This worked very much in Mexico's favour as Ford, General Motors and Chrysler (now Daimler Chrysler) and their suppliers set up world-class plants there to export to the United Stated market. Then, Volkswagen, a German automobile TNC, established an export in Mexico and was obliged to bring its global suppliers into Mexico to meet the NAFTA rules of origin. The overall result was a complete restructuring of the Mexican automobile industry from a protected and inefficient import substitution activity to highly competitive export platform.

These are examples from some of the most dynamic export products of how the self-interest of TNCs combined with appropriate government policy, can produce major improvements in the export competitiveness of fast countries. In other situations, however, considerably stronger government efforts are required to capitalize the assets of TNCs and what, in the absence of such efforts, may only be temporary advantages. The garment industry exemplifies why simply attracting export-oriented activities in and itself might not be enough to move up the value - added ladder and increase national benefits.

Branded manufacturers of garments like Sara Lee and Fruit of the Loom made use of the United States' production sharing mechanism to gain competitive advantage vis-à-vis Asian producers by establishing assembly operations in the Caribbean basin. In the context of the Multifibre Arrangement quotas, this mechanism allowed these assemblers to remain competitive in the United States market in spite of the fact that wage levels in the Caribbean basin were higher than many other garment production sites. Contrary to the experience of Mexico in respect of the rules of origin of NAFTA, this mechanism did not allow host countries to progress by increasing local content, raising value added or upgrading the industry. This is because the tariffs applied to value added outside the United Stated discourage the use of local inputs For that reason, Costa Rica, for example, chose to focus on electronics and other industries. With the impending implementation of the WTO Clothing and Textile Agreement, many host countries specializing in garment exports will have great difficulties in facing competition from Asia, especially from China. In anticipation of this, some of these branded manufacturers are cutting back on their international production systems and relying more on full-package suppliers and contract manufacturers. The nature of the production-sharing mechanism that restricted the upgrading of the local operations beyond low-wage assembly has left these export platforms in difficult circumstances. Corrective national policy action is urgent in cases like this.

This underlines the importance of ensuring the sustainability of export-oriented foreign affiliates. For such affiliates not to be ephemeral, they need not only to upgrade, but to be progressively embedded in host economies through strong backward linkages. This requires policies aimed at fastening local capabilities, and, in particular technological capabilities, human resources and a competitive domestic enterprise sector. Where these policies are successful, they are likely not only to make the export involved more sustainable and beneficial for the host countries involved, but also to increase the competitiveness, but also to increase the competitiveness of the domestic enterprise sector, the bedrock of economic development. In the end, some of these domestic enterprises may become TNCs in their own right and contribute to the development of their home countries through their own global activities. The success of a number of (mainly Asian) countries in attracting export-oriented TNC activities as part of a broader national industrialization strategy offers a model for others.

TNCs play an important role in the exports of many developing countries and economies in transition. Indeed for the most dynamic products in world trade. TNCs are central for enabling these countries to reach world markets, and they provide some of the 'missing elements" that developing countries need to upgrade their competitiveness in export markets. The potential benefits in TNCs export activity are still far from fully exploited and they are growing. Technologies are changing. Processes and functions are increasingly divisible, and the boundaries of what is internal and external to firms are shifting. The 'death' of distance -or its diminishing cost --- is stretching location maps. New activities are likely to join the globalization surge, including many from developing economies. The challenge for countries that would like to improve their export competitiveness in association with TNCs is how to link up with the international production systems of these firms and how to benefit from them.

The spread of TNC activity offers host countries opportunities to expand and move into higher value-added activities. Capitalizing fully on static benefits and transforming them into dynamic and sustainable advantages requires pro-active government support. To benefit most from TNC associated export competitiveness developing countries must make continuous efforts to root TNC activities in host economies raise the level of local content, increase the value added by these activities, upgrade them into more sophisticated areas and make them sustainable. TNCs, in a number of circumstances, will take initiatives of their own, in their own self-interest. But national policy efforts and the policy pace to pursue them ---- are critical for both attracting export oriented FDI and ensuring its sustainability in order to advance development.

Questions:

(a) What are the areas of concern for low exports from developing countries?

(b) Do you agree that the flow of FDI to developing countries can augment their export potential? How?

(c) What is the role of transnational corporations in upgrading a country's competitiveness?

(d) Suggest measures to increase the competitiveness of the domestic enterprise sector in a developing country.

CASE 2: SEN-SCHWITZ

To the Florid-faced German at Frankfurt Airport's immigration-counter, he appeared to be just another business traveler. True, but a bit of an understatement. The man under scrutiny was Binoy Sen, whom the Indian media referred to as the Boom-Box king.

At 14, he had assembled, from parts scavenged from the local dump, a spool-recorder that had fitted nicely into a suitcase. By the time the time he was 37, in 1979, Sen & Sen (S&S), a company he had promoted with his elder brother, Sanjoy --- who made up for his lack of technical expertise with a razor sharp business brain --- was Asia's largest manufacturer of radios and cassette-recorders. Now, at 56, he presided over India's largest audio-Products Company. Sen-Schwitz, a joint venture with the Frankfurt-based consumer electronics giant, Schwitz GMBH.

S&S association with Schwitz had actually begun in 1984. Music had become a movement in Europe at that time, with immigrant labour of all colour and teenagers of all sizes constituting market-segments that no company could afford to ignore. But their means were slender, and intensity of output, rather than nuances of pitch and tone, was what they were concerned about. Since assembling was a labour and cost intensive process, at least in Europe, Schwitz could not manufacture low-end boom-boxes cheaply.

So, the company turned to Asia, where it was certain some Chinese or Taiwanese company could meet its requirements. None could. However, on a reach of Taiwan, one of the company's managers had spotted a couple of S&S products at a retail outlet. While this Indo-German relationship had begun as a vendor-buyer one, Helmut Schwitz, 51, the CEO of Schwitz --- no relation of Adolf Schwitz, who had founded the company just after the end of World War II --- took an instant liking to the Sen Brothers. Two years after S&S started supplying it products, in 1986, the German company acquired a 10 per cent stake in its Indian supplier.

IN 1992, when Schwitz released that he could no longer ignore the Indian market and the Sens accepted the fact that they couldn't survive the threat from global competition without technology and marketing support from their German Partner, they formed a formal joint venture. The Sens and the German company both held 26 per cent stakes in Sen-Schwitz, with the rest being divided between the financial institutions and the investing.

The joint venture did well right from its inception. The transnational's superior quality standards and S&S strong distribution network worked wonders. Within 2 years, the company had managed to carve out a 45 per cent share of the Rs. 795-crore market. The Sens were happy and so was Schwitz. By 1998, Sen Schwitz's share had increased to 65 per cent in a market that had grown to Rs. 1,150 crore, And when Sen reached Frankfurt for the annual review of the joint venture that Schwitz GMBH insisted on --- the company had 7 joint ventures across Asia and Latin America --- he could not but help feeling that all was well with the world of music and money.

Sen's feelings were only amplified during the review. After the preliminary greetings, Helmut Schwiz took the oais. The room darkened, and a series of PowerPoint images flashed on the screen behind Schwiz as he spoke. Sen caught only fragments of the German's heavily accented voice; his attention was focused on the images and the bullets of text they contained. Sen scrawled a few of them on his notepad

- A turnover of $ 100 billion by 2005
- AQ growth - rate of 20 per cent a year.
- 35 per cent of the growth coming from India and China Then. Schwiz started speaking about India and Sen's attention moved from the screen to the man. What he heard pleased him. "Sen-Schwiz has a marketshare of 65 per cent in a market that is growing at the rate of 30 per cent a year. As far as our targets for 2005 go, we believe that it is our most promising joint venture."

The blow fell later, during the break for lunch. Sen and Chris Liu who headed the company's joint venture in Taiwan, were exchanging notes when Schwiz butted in and, in his characteristic overbearing fashion, quickly monoeuvrec Sen to one corner of the room.

"India is, clearly, the market of the future, Binoy," he said, biting into a roll. "You're doing a great job, and can expect support from me for all your endeavours. But I'm worried about your margins." Here it comes, thought Sen, the twist in the tall. "A post tax margin of 8 per cent doesn't look too good," continued Schwiz, "especially when seen in the light of rising volumes. We should take a fresh look at our Indian operations, Why don't you meet with Andrew?"

Suddenly, Sen was on guard. The 55 year old Andrew Fotheringay was Schwiz's President (International Operations). Sen liked him; they had worked together when the joint venture was being set up, and had been impressed by his eye for detail. But he also knew that Fotheringay was Schwiz's hatchetman. "What's on your mind, Helmut ?" he asked point-blank "oh, nothing yet," replied Schwiz, "but we have to find a way to introduce more products into the Indian market without stretching Sen-Schwitz, Talk to Andrew."

That wasn't to be Fotheringay, whose wife was 9 months pregnant, had to suddenly leave for London, but promised to fly down to Calcutta, where Sen-Schwitz was based as soon as the baby was born. Now, Sen was sure that something was up : Fotheringay wasn't the kind of manager to do something like that for nothing. Sen voiced his fears at a meeting of the Sen-Schwitz board, which had been scheduled on the day of his return. One of the board members, R. Raghavan, 53 a professor of corporate strategy at the Indian Institute of Management, Gauhati, felt that Sen was over reaching I don't think it is quite what you think, Sanjoy he started although Sen hadn't put any specifics to his fears. "Sen-Schwitz is, as BUSINESS TODAY keeps reminding us, evidence that there is, indeed, scope for a win-win joint venture even in the Indian context."

He was wrong. Sure, the joint venture has benefited from the German parent's technical expertise. In turn Schwitz GMBH had profited substantially from Sen Schwitz's dividend pay-outs: more than 25 per cent every year. Werner Kohl, 48 Sen Schwitz's Technical Director, seemed to agree with the professor. Kohl was a Schwitz nominee on the board, and had been a Vice-president (Operations) at the transnational's Hamburg plant before being seconded to Sen-Schwitz for a 5 year period. But Kohl Sen knew was not likely to know what was happening back home.

The one person who agreed with Sen was Rajesh Jain 44, the IDBI nominee on the board, who expressed the opinion that Schwiz GMBH could possibly, be planning another joint venture with some other company. That sounded far-fetched even to Sen. Sen-Schwitz's closest per cent. Besides, no company could match Sen-Schwitz;'s distribution network. So, he decided to let his fears abate till Fotheringay could either dispel them --- or make them come alive.

True to his word, Fotheringay, now the proud father of his first daughter landed up in Calcutta a week later. He first met the company's functional heads, and gave them a pep talk: " Sen-Schwitz's volumes-thrust should be backed by a profitability focus. Once we ensure margins of 13 to 15 per cent, we will be on our way."

Alone with Sen, though, Fotheringay quickly laid his cards on the table. Schwitz, he informed Sen, wished to set up a 100 per cent subsidiary in the country. Sen's mind was, suddenly, clear. He had been a fool not to see it coming. All that talk about restructuring the joint venture, introducing newer models, and the need for higher margins led up to just one thing: a fully-owned Schwiz subsidiary." So what does this mean for us, Andrew," he asked, "Is this advance warning about a parting of ways?"

Fotheringay was quick to dispel this notion. "The subsidiary will not compromise the interests of the joint venture. Schwitz has a long-term commitment to the India market, and this subsidiary is just a step in that director."

All this talk-about commitment, realized Sen, was taking them nowhere. He sounded just a little imitated when he spoke: "I just can't understand why you people are even considering a subsidiary when the joint venture has been so successful. We have a great brand, good products, the finest distribution network in the business, and an excellent supply chain Together, we have created a matrix that has delivered. Why does Schwitz want to reinvent the wheel?"

Fotheringay's answers didn't satisfy him. He made some noises about the subsidiary taking upon itself a large portion of the expenses involved in building the Sen-Schwitz brand, thereby reducing its operational expenses, and improving its margins. Sen was quick to point out that the Government of India did not view proposals for fully-owned marketing subsidiaries favourably. "Besides, does this mean that we transfer our marketing and distribution network to the subsidiary?" he asked incredulously.

Fotheringay side-stepped the issue: "No, no, the subsidiaries will only manufacturer products." Reading the look on Sen's face, he hastened to enumerate Schwitz's game plan: 'Of course, none of our offerings will complete directly with Sen-Schwitz As you are aware, the audio systems market is fairly segmented, so there is a great deal of potential for new offerings. We want to set up a committee from Sen-Schwitz and Schwitz to decide on the respective roadmaps of the joint venture and the subsidiary so as to avoid any conflict."

"That apart," he smiled, here comes the carrot, thought Sen and he wasn't wrong, “the Sens will have the option to buy up to 49 per cent of the subsidiary's equity when it goes in for an IPO." The subsidiary is not even off the ground, thought Sen and Andrew is already speaking in terms of US and THEM

Fotheringay took Sen's silence to mean acceptance."The other reason," he continued, "is that we can use the subsidiary to introduce our premium brands into the country. There is evidence that the market for premium audio-systems is all set to boom. Think about it, Binoy. The subsidiary will only strengthen the strategic relationship between the Sens and Schwitz GMBH."

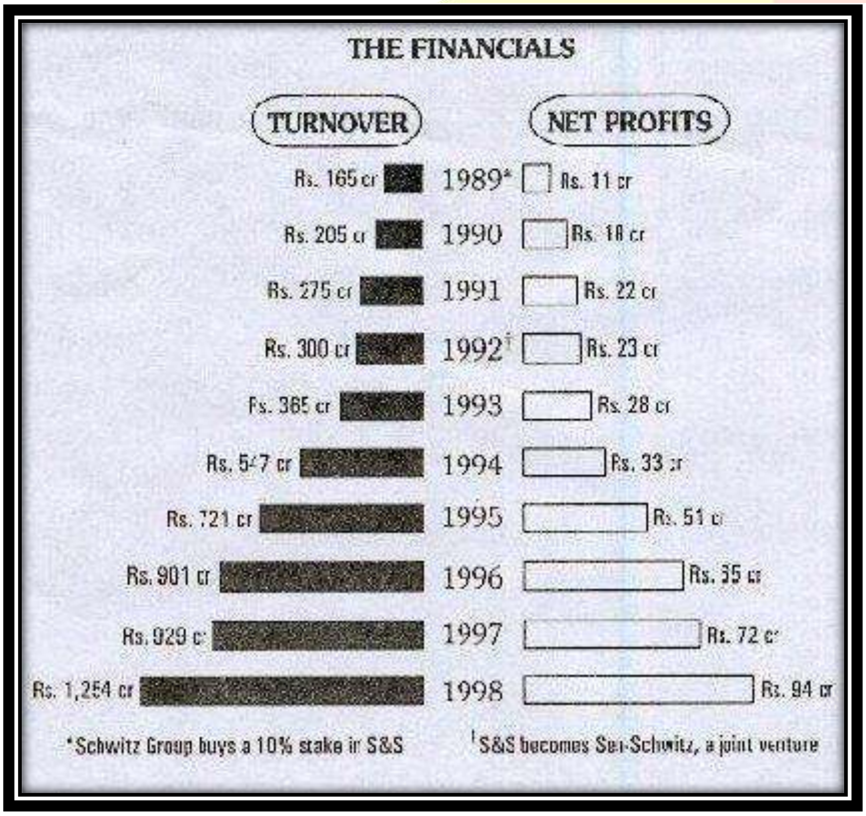
The Sens aren't involved, thought Sen; this is an issue that concern Sen-Schwiz andSchqitz. But he didn't want to split hairs, and promised, instead, to think about it.

Sen-Schwitz's Executive Committee thought about it for 3 months. And it still didn't make sense to them. Schwitz GMBH operated through joint ventures in every part of the developing world. Only in the US, UK, and France did it have fully-owned subsidiaries, using the subsidiary as a sink that would absorb the joint venture's marketing expenses didn't make sense too.

"It sounds altruistic," said V.K. Kapur, 44, the company's head of marketing. "If launching more products is the only behind the subsidiary, there is no reason why the joint venture cannot serve that purpose." Sen and the rest of the Committee had to agree. "There's also no reason why we cannot improve our margins by focusing on our operational efficiencies," argued Ajay Singh, 46, Sen Schwitz Director, operations, and Sen had to agree.

He decided to discuss the matter with Sanjoy, who had retired from the business, and was involved in managing a charity. But Sen didn't get a chance. News-agency had picked up a report that had appeared in the Financial Times Schwitz's decision to set up a 100 per cent subsidiary in India. The report created a major stir in the Bombay stock Exchange, with the price of Sen-Schwitz's stock falling by 30 per cent a day.

It was evident to Sen that no matter what Fotheringay and Schwitz thought, the stock-market perceived the subsidiary as a threat to the joint venture. It was also evident that the stock-market viewed Schwitz as the more valuable brand."I understand,"Sanjoy told Binoy, when the situation had been explained to him. The technology is Schwitz's. The brand, at least the more powerful one, is theirs. And they have access to our distribution network. Face it, we don't have a plank to fight on."



Questions:

(a) Identify the sequence of events that has led to the current problem.
(b) Analyse the problem in the context of the process of globalization that has been increasingly witnesses over the past decade or so.
(c) Examine the "fairness" of establishing a 100% subsidiary by Schwitz GMBH when the alliance is on.
(d) What future course of action would you suggest to S&S? Give reasons for your answer.

CASE 3: SUNLIGHT CHEMICALS

Starting at the vast expanse of the Arabian Sea from his comer office at Bombay's Nariman Point, Ramcharan Shukla the 53-year old executive vice-chairman and managing Director of the 500-crore Sunlight Chemicals(Sunlight felt both adventurous and apprehensive. He knew he had to quicken the global strides Sunlight had made in the last four years if the company was to benefit from its early gains in the world markets. However, he was also shaken by a doubt: would his strategy of prising open international markets by leveraging the talents of a breed of managers with transnational competencies succeed?

Globalisation had been an integral part of Sunlight's business plans ever since Shukla took over as managing director in 1990 with the aim of making it the country's first international chemicals major Since then Sunlight --- the country's third-largest chemicals maker --- had developed export markets in as many as 40 markets, with international revenues contributing 40 per cent of its Rs. 500 crore turnover in 1994-95. The company also set up manufacturing bases in eight countries --- most recently in China's Shenzhen free trade zone --- manned by a mix of local and Indian employees.

These efforts at going global first took shape in December 1991 when Shukla, after months of deliberations with his senior management team, outlined Sunlight's Vision 2001 statement. It read "We will achieve a turnover of $ 1 billion by 2001 by tapping global markets and developing new products." The statement was well-received both within and outside the company. The former CEO of a competitor had said in a newspaper report: "Shukla has nearly sensed the pressures of operating in a new trade with a tough patents regime."

But Shukla also realised that global expertise could not be developed overnight. Accordingly, to force the company out of an India-centric mindset, he started a process of business restructuring. So, the company's business earlier divided into domestic and export divisions, was now split into five areas: Are I (India and China), Area 2 (Europe and Russia), Area 3 (Asia Pacific), Area 4 (US) and Area 5 (Africa and South America). Initially managers were incredulous, with one senior manager saying: "This is crazy. It lacks a sense of proportion."

The Cynicism was not misplaced. After all, the domestic market --- which then contributed over 90 per cent of the company's turnover --- had not only been dubbed with the Chinese market, but had also been brought at par with the areas whose collective contributions to the turnover was below 10 per cent Shukla's explanation, presented in an interview to a business magazine: "Actually, the rationale is quite simple and logical. We took a look at how the market mix would evolve a decade from now and then created a matrix to suit that mix. Of course, we will also set up manufacturing facilities in each of these areas to change the sales-mix altogether."

He wasn't wrong. Two years later, even as the first manufacturing facility in Vietnam was about to go on stream, the overseas areas' contribution to revenues rose to 20 per cent. And the mood of the management changed with the growing conviction that exports income would spoon surpass domestic turnover. Almost simultaneously, Shukla told his senior managers that the process of building global markets could materialize only if the organization became fat flexible, and fleet-footed. Avinash Dwivedi, am management consultant brought in to oversee Sunlight's restructuring exercise, told the board of directors: "Hierarchies built up over the years have blunted the company's reflexes, and this is a disadvantage while working in the competitive global markets."

The selection of vice-president for the newly-constituted regions posed no immediate problem. For Sunlight had several general managers --- from both arms of marketing and manufacturing -- whose thinking had been shaped by the company's long exposure to the export markets. For obvious reasons, the ability to build markets was the primary criterion for selection. The second criterion was a broad business perspective with a multi-functional, multi-market exposure. That was because Shukla felt it did not make good business sense to send a battalion of functional managers to foreign markets when two or three business managers could suffice.

But Specific markets also needed specific competencies. That was how Sunlight chose to appoint a South African national to head Area 5. The logic" only a local CEO could keep track of changes in regulations and gauge the potential of the booming chemicals market in the US. However, the effort was always focused on using in-house talent. Shukla put it to his management team: "We should groom managerial talent --- whether local or expatriate --- for all our overseas operations from within the company and should rotate this expertise worldwide. In essence, we should develop global managers within the company."

While doing the personnel planning for each area and fixing the compensation packages for overseas assignment, Sunlight realized the importance of human resource (HR) initiatives. The HR division headed by vice president Hoseph Negi, had been hobbled for years with industrial relations problems caused by the unionization of the sales force, “You have to move in step with the company's global strategy." Shukla had told his HR managers at a training session organized by Dwivedi who was spearheading the task of grooming global managers.

Four years down the line, Shukla felt that Sunlight was still finding its way around the task Sure, a system was in place. Depending on the requirements of each of the four areas, Sunlight had started recruiting between 25 and 30 MBAs every year from the country's leading management institutes. During the first six months, these young managers were given cross-functional training, including classroom and on-the-job inputs. The training was then followed by a placement dialogue to determine the manager -area fit. If a candidate were to land, for instance, on the Asia-Pacific desk at the head office, he would be assigned a small region, say, Singapore, and would be responsible for the entire gamut of brand-building for a period of one year in coordination with the regional vice-president.

The success with which he would complete his task would decide his next job: the first full-time overseas posting. He could be appointed as the area head of, say, Vietnam, which was equivalent to an area sales manager in the home market. After a couple of years, he would return to base for a placement in brand management or finance. A couple of years later, the same manager could well be in charge of a region in a particular area. Over the past four years. Sunlight had developed 30 odd potential global managers in the company spanning various regions using this system.

But, considering that the grooming programme was only three years old, Shukla felt that it would take some time for the company's homespun managers to handle larger markets like China on their own. The real problem in this programme was in matching the manager to the market. Dwivedi suggested a triangular approach to get the right fit: define the business target for a market in an area. Look at the candidiate's past Performance in the market, And identify the key individual characteristics for that market. Dwivedi also identified another criterion: a good performance rating at home during the previous two years. Once selected for an overseas posting, the candidate would be given cross-cultural training: a course in foreign languages, interactive programmes with repatriated managers on the nature of the assignment and, often, personality development programmes on the nuances of country business etiquette.

Further, an overseas manager would be appraised on two factors: the degree to which he had met his business plan targets for the market, and the extent to which he had developed his team. After all, he had to cachet the posting within three years to make place for his replacement. Achievements were weighed quarterly and annually against sales targets set at the beginning of the year by the vice-president of the region. The appraisal would then be sent to the corporate headquarters in Bombay for review by the senior management committee. Shukla had often heard his senior managers talk appreciatively of the benefits of transrepatriation. "The first batches of returnees are more patient tolerant and manure than when they left home," said Manohar Vishwas, vice-president (finance),"and they handle people better."

But the litmus test for the company, Shukla felt would be in managing a foreign workforce --- across diverse cultures --- at the manufacturing facilities in six countries outside India. The Shenzhen unit, for instance had 220 employees, out of which only 10 were expatriate Indians. Further, the six-member top management team had only two Indians. Of course, the mix had been dictated by the country's laws and language considerations.

Some of the African markets had their own peculiarities. The entire team of medical representatives, for example, comprised fully-qualifies, professional doctors. Sharad Saxena, vice-president, Area 5, told Shukla: "As there is heavy unemployment in Africa doctors are attracted to field sales work for higher earnings." There were other problems too: as both Chinese and Russian had been brought up on a diet of socialism, they were not used to displaying initiative at the workplace. Dwivedi had suggested that regular training was one of the ways of transforming the workforce. So, Shukla hired a training group from Delhi's Institute of Human Resource Management training to spend a month at Shenzhen. This was later incorporated as an annual exercise.

Observing that interpersonal conflicts were common in situation where with single-country background were working together, a new organisational structure was introduced. Here, Sunlight positioned local managers was introduced. Here, Sunlight positioned local managers between an Indian boss and subordinate. Similarly, some Indian managers were positioned between a local boss and subordinate.

Says Avishek Acharya vice-president, Area 3: "There were some uncomfortable moments, but it led to a better integration or management principles, work practices, and ethics."

Obviously, reflected Shukla, Dwivedi was doing a great job. As he watched the setting sun, however, he found his thoughts turning to a more fundamental question. However immaculate his HR planning had been, had he made a mistake by not developing his strategies first? Was he mixing up his priorities by putting people management" ahead of issues like marketing, technology, and global trade? Even the HR strategy he had chosen worried Shukla. Should he have opted for more locals in each country? If expatriate managers failed more often than they succeeded in India wasn't the same true for other countries?

Questions:

1. Is Sunlight on the right track in going global without trying to consolidate its position further in the home market?
2. Can Sunlight realize its global vision with its current mix of strategies? However fine the company's HR planning had been had Shukla made a mistake by not developing his strategies first?
3. Are there any gaps in Shukla's game plan to conquer the globe?
4. What are the learning's that you can derive from the "Sunlight" case so far as the internationalization of business is concerned?

CASE 4

The world's leading aerospace company, Boeing is the largest manufacturer of commercial jet airliners and military air craft combined. Headquartered in Chicago, Boeing operates in 70 countries with culturally diverse workforce.

Boeing has an arch rival in the form of its European counterpart Airbus. Airbus is the largest civil airliner in service. Airbus also has expanded into military transport aircraft sector. Every strategic move of these two giants is followed closely and counter-measures are swiftly planned to capture the market share of each other. When Airbus started its ambitious super jumbo A380 project, Boeing quickly followed suit with its dream liner 787.

Airbus, by virtue of its multi-country lineage in EADS, has its manufacturing process scattered across many European nations including the UK, France and Germany. Its final assembly plant is located at France, where huge parts are brought through several transportation modes for assembling into an aircraft. This approach to manufacturing has been criticized by experts, who cited this as one of the reason for the A380 project delays and cost over runs.

Ironically, Boeing tried to adapt a similar approach to manufacturing the 787. It experimented with radial outsourcing with major parts of the plane outsourced to companies in Canada, Australia, Korea, Japan and Europe Comparatively, Boeing is into higher percentage of outsourcing for its engineering and design work. It is debatable as to whether this is the primarily the reason for the numerous delays and hefty cost overruns the 787 project has witnessed over the past several years. On several occasions, Boeing admitted design flaws, leading to delays. Boeing’s customers are increasingly cautious of their delayed delivery schedules of 787. Some reports say that the first delivery of its new 787 aircraft would slip a well into the mid of 2011 or even beyond. Interestingly it is the first time Boeing faced this kind of problems on after the eventual first flight in December 2009. The report also indicates that the company officials opine that they over reached on the new manufacturing method used with 787, but they remain committed to the outsourcing model.

However, further delays have been indicated and the increasing competition in cashing on the situation in a big way, with Airbus receiving orders from several Airlines who cancelled the 787 orders in favor of its A380.

Questions for discussion:

a) The CEO of Boeing has decided to take an unbiased opinion of an external consultant to critically analyze the whole production model adapted in 787. If you are requested by Boeing as external consultant to submit a preliminary report, critically examine the outsourcing model of 787

b) Suggest remedial measures in the Boeing’s supply chain so as to avoid failure like 787 in future.

CASE 5: JOINING SWITZERLAND, JAPAN ACTS TO EASE CURRENCY’S STRENGTH

As global investors flee the dollar and euro for refuge in stronger currencies, those havens have started to send out a message: enough. Demand for currencies like the Japanese yen and Swiss franc, seen as relatively safe assets to hold in turbulent times, have surged in recent weeks, driving up their value as investors have dumped dollars and euros as a result of debt worries in the United States and Europe.

Declaring the yen's rise to be a threat to the economy, Japan's Ministry of Finance moved on Thursday to reverse the trend, a day after the typically sedentary Swiss bank unexpectedly cut interest rates in an effort to weaken the franc. A strong currency might sound like a validation of investor confidence in the performance of an economy. But for trade-dependent Japan and Switzerland, a sudden jump in the value of their currencies can wreak havoc by making their exports uncompetitive. By intervening, though, Japan and Switzerland risk criticism that they are inciting what some market players call "currency wars," where countries compete to devalue their currencies. Both countries also devalued their currencies last year. South Korea and Brazil intervened in foreign exchange markets earlier this year. And China has long purchased dollar- and yen-denominated assets in an effort to keep its renminbi weak enough to sustain its export economy. "In a dream world where the Ministry of Finance and Bank of Japan could dictate exchange rates, they certainly won't mind to see the yen weaken to 85-90 yen against the dollar," Takuji Okubo, chief economist in Tokyo for Société Générale, wrote in a note to clients. "However, with all the developed economies in the world suffering, trying to grow through a weaker currency is likely to encounter resistance." But Japan right now sees itself having little choice. "The recent rise in the yen in currency markets has been one-sided and unbalanced," the finance minister, Yoshiko Noda, said on Thursday as he announced the start of the intervention. "If this trend were to continue, it would harm the Japanese economy, even as we do all we can to recover from our natural disasters." On Thursday, Japanese authorities delivered a one-two punch. First, the Finance Ministry said it had begun selling yen and buying dollars. Then the Bank of Japan announced that it had further expanded its program to buy government and corporate bonds, a form of monetary easing aimed at increasing liquidity and helping to dilute the value of the yen. The yen weakened steadily throughout the day, from 77.15 yen to the dollar to about 80 yen on Thursday evening in Tokyo. This week, the yen came close to a record high of near 76.25 yen to the dollar. At midday Thursday in New York, the yen was trading at 78.96 to the dollar. "We judged that rises in the yen have economic costs, including the risk of damaging corporate sentiment and encouraging companies to shift production overseas," the governor of the Bank of Japan, Masaaki Shirakawa, said at a news conference. Japan, which had taken a laissez-faire approach to currency policy from about the middle of the last decade, has over the last year become more willing to intervene. Last Sept. 15, with concerns over the American economy mounting, it spent 2.1 trillion yen in its biggest one-day intervention ever. On March 18, a week after an earthquake, tsunami and subsequent nuclear crisis, the Group of 7 industrialized economies came to Japan's aid by staging a joint intervention, coordinating efforts to sell the Japanese yen on global currency markets. Traders had attributed the yen's surge to Japanese companies repatriating funds to finance recovery back home. But since then, the dollar has again slumped against the yen, falling 5 percent in the last month as investors wary of the debt impasse in the United States fled to other currencies. Even after lawmakers in Washington struck a deal on Tuesday to avert a default or downgrade of United States debt, fresh concerns over the economy again weighed on the dollar. Japan did not disclose the size of its intervention on Thursday, but traders estimated that the government had spent more than a trillion yen on the maneuver, according to Reuters. Asian central banks, Japanese retail investors and exporters bought into the dollar's rally, helping to buoy the American currency, Reuters said. The central bank followed with its announcement that it would seek to raise liquidity by increasing its asset purchase program, including Japanese government and corporate bonds, to 15 trillion yen from 10 trillion yen announced previously. The bank said it would also expand its credit facility — its pool of funds available to buy up assets from banks and other businesses — to 35 trillion yen, from 30 trillion yen. The bank also kept its benchmark interest rate near zero. Still, the effect of moves to influence foreign exchange markets, especially by a single country, has often been short-lived. Japan acted alone in the intervention, though Tokyo was in touch with other countries over the maneuver, Mr. Noda said. What Japanese policy makers could aim for, Mr. Okubo of SociétéGénéralesaid, was to hold the yen at the current level in the hope that the American economy showed "some kind of strength soon." Japan has been desperate to shore up its fragile recovery. Even as companies have raced to repair damaged factories and resume production, they have been hit by a surge in the yen that threatens their business overseas. The March disaster struck an economy that, despite its strong currency, was even more fragile than that of the United States. The Japanese economy has shrunk in two of the last three years, and its debt is twice the size of its economy. Japan's sovereign debt rating, AA-, is three notches below that of the United States. On the other hand, most of Japan's debt is held domestically, and the country runs a current account surplus — factors that help to make the yen a haven currency for investors in times of turmoil on global markets. The recent rise in the yen is, to a large extent, the continuation of a trend that began several years ago with the global economic crisis, which caused investors to flee to the yen. Since the start of the crisis, the yen has strengthened by 30 percent against the dollar. The muscular yen has been squeezing profits among Japanese exporters, making their cars and electronics more expensive overseas, and eroding the value of overseas earnings when converted into yen. Toyota, Honda and other exporters all recently blamed the strong yen, in part, for their sharply lower earnings in the latest quarter. And so the nation's exporters welcomed Thursday's intervention. "It was a really aggressive appreciation," Kazuo Hirai, executive deputy president at Sony, said of the yen's recent moves. "The fact that the government decided to intervene was a good thing for Japanese industry as a whole."

Questions:

1. What are the explanations of the recent appreciation of the Swiss franc and Japanese yen?
2. What are the consequences thereof on the Swiss and Japanese economies?
3. What can export-oriented Japanese and Swiss firms do to offset the instability of their domestic currency?

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