



DOON UNIVERSITY, DEHRADUN
Mid-Semester Examination, MBA- 3rd Semester, 2014
School of Management
Course: MMS- 520: International Business

Time Allowed: 2 Hours

Maximum Marks: 30

Note: Attempt all Questions.

Section – A

Q1. Write short notes (min. fifty words) on any 4 of the following:

(2.5 x4 =10)

- (a) Tariff Barriers
- (b) Non-Tariff Barriers
- (c) Balance of Trade
- (d) Balance of Payments
- (e) TNC

Section – B

Note- Attempt any two(2) questions.

(5x2=10)

Q1. Define in detail various **Modes of Entry** in International Business, in context to Indian Economy vis-à-vis World Economy.

Q2. Which model of Business Environment Analysis would you apply before taking a “GO-YES” International decision, with respect to a specific Country?

Section – C

Q1. Please read the following case study carefully and answer the questions given at the end:

Electrolux is Sweden's largest manufacturer of electrical household appliances and was one of the world's pioneers in the marketing of vacuum cleaners. However, not all the products the Electrolux name are controlled by the Swedish firm. Electrolux vacuum cleaner sold and manufacturer in the United States, for example, have not been connected with the Swedish Firm since the U.S subsidiaries were sold in the 1960s. The Swedish Firm reentered the U.S. market in 1974 by purchasing National Union Electric, which manufacturers Eureka vacuum cleaners.

Electrolux pursued its early international expansion largely to gain economies of scale through additional sales. The Swedish market was simply too small to absorb fixed costs as much as the home markets for competitive firms from larger countries. When additional sales were not possible by exporting, Electrolux was still able to gain certain scale economies through the establishment of foreign production. Research and development expenditures and certain administrative costs could thus be spread out over the additional sales made possible

by foreign operations. Additionally, Electrolux concentrated on standardized production to achieve further scale economies and rationalization of parts.

Until the late 1960s, Electrolux concentrated primarily on vacuum cleaners and the building of its own facilities in order to effect expansion. Throughout the 1970s, though, the firm expanded largely by acquiring existing firms whose product lines differed from those of Electrolux. The compelling force was to add appliances lines to complement those developed internally. Its recent profits (\$220 million in 1983) have enabled Electrolux to go on an acquisitions binge. Electrolux acquired two Swedish firms that made home appliances and washing machines. Electrolux management felt that it could use its existing foreign sales networks to increase the sales of those firms in 1973, Electrolux acquired another Swedish firm, Facet, which already had extensive foreign sales and facilities. Vacuum cleaner producers were acquired in the United States and in France; and to gain captive sales for vacuum cleaner. Electrolux acquired commercial cleaning service firms in Sweden and in the United States. A French Kitchen equipment producer, Arthur Martin, was bought, as was a Swiss home appliance firm-Therma, and a U.S. cooking equipment manufacturer, Tappan.

Except the Facet purchase, the above acquisitions all involved firms that produced complementary lines that would enable the new parent to gain certain scale economies, However, not all the products of acquired firms were related, and Electrolux sought to sell off unrelated businesses. In 1978 for example, a Swedish firm, Husqvarna, was bought because of its kitchen equipment lines. Electrolux was able to sell Husqvarna's motorcycle line but could not get a good price for the chain saw facility. Reconciled to being in the chain saw business. Electrolux then acquired chain saw manufacturers in Canada and Norway, thus becoming one of the world's largest chain saw producers. The above are merely the most significant. Electrolux acquisitions: the firm made approximately fifty acquisitions in the 1970s.

In 1980, Electrolux announced a takeover that was very different from those of the 1970s. It offered \$175 million, the biggest Electrolux acquisition, for Granges Sweden's leading metal producer and fabrication Granges was itself a multinational firm (1979 sales of \$ 1.2 billion) and made about 50 percent of its sales outside of Sweden. The managing Directors of the two firms indicated that the major advantage of the takeover would be the integration of Granges aluminum, copper plastic, and other materials into Electrolux production of appliances. Many analysts felt that the timing of Electrolux's bid was based on indications that Baijerinvest, a large Swedish conglomerate, wished to acquire a non--ferrous metals mining company. Other analysis felt that Electrolux would be better off to continue international horizontal expansion as it had in the 1970s. The analysts pointed to large appliance makers such as AEG Telefunken of West Germany that were likely candidates for takeover because of recent poor performance.

Questions:

(5x2= 10)

1. Which of Electrolux's foreign investments would be horizontal and which would be vertical? What are the advantages of each?
2. Should Electrolux take over Granges? Justify with logic.