PGDM- IB (2013-15)

GLOBAL BUSINESS ENVIRONMENT

Subject Code: IB- 201

Trimester – II, End – Term Examination, December 2013

Time allowed: 2 hours 30 min | Max. Marks: 50

Roll No. : _____

Instruction: Students are required to write their roll number on every page of the question paper, writing anything except the roll number will be treated as Unfair Means. In case of rough work, please use the answer sheet.

Section A

Attempt only THREE questions. Marks: 5*3=15

Word limit: 200 words

1. Elaborate on the Heckscher Ohlin Theory. What factors are responsible for propelling the growth stories of China, Brazil and USA?
2. Explain any two of the following:
   a. Right shoring,
   b. Types of Inflation
   c. Reverse Innovation
3. Why is FDI considered important for the growth of a country's economy? Explain.
4. Is the European Union a political or economic union? Explain with reasons.
5. Discuss the conditions of static effects of regional integration.

Section B

Attempt only TWO questions. Marks: 10*2=20

Word limit: 350 words

1. Quite a few countries are reeling under the impact of a combined onslaught of both the American and the Euro crises. In such a situation what kind of fiscal policy would you suggest: austerity or stimulus.
2. Describe any two of the following frameworks
   a. GLOBE, b. Trompenaars, c. EPRG, d. CAGE
3. Discuss the important RTAs that India has signed in the last decade and explain the reasons for the lackluster growth of trade under these RTAs.

Section C

Compulsory Case study Marks: 15

They begin as glass panels that are manufactured in high technology fabrication centers in South Korean, Taiwan, and Japan. Operating sophisticated tooling in environments that must be kept absolutely clean, these factories produce to exacting specifications sheets of glass twice as large as king-size beds. From there, the glass panels travel to Mexican plants located alongside the U.S. border. There they are cut to size, combined with electronic components shipped in from Asia and the United States, assembled into finished TVs, and loaded onto trucks bound for retail stores in the United States.

It's a huge business. In 2006, U.S. consumers spent some $26.4 billion on flat-panel TVs, a 63 percent increase over the amount spent in 2005. Projections called for U.S. sales to hit $37 billion by 2008; this growth would occur despite continuing decline in prices for flat-panel displays because of intense competition. During 2006, prices for 40-inch flat-panel TVs fell from $3,000 to $1,600, bringing them within the reach of many more consumers. In 2007, half of all TVs sold in the United States were flat-panel TVs.

The underlying technology for flat-panel displays was invented in the United States in the late 1960s by RCA. But after RCA and rivals Westinghouse and Xerox opted not to pursue the technology, the Japanese company Sharp made aggressive investments in flat-panel displays. By the early 1990s Sharp was selling the first flat-panel screens, but as the Japanese economy plunged into a decadelong recession, investment leadership shifted to South Korean companies such as Samsung. Then the 1997 Asian crisis hit Korea hard, and Taiwanese companies seized leadership. Today, Chinese companies are starting to elbow their way into the flat-panel display manufacturing business.

As production for flat-panel displays migrates its way around the globe to low-cost locations, there are clear winners and losers. U.S. consumers have benefited from the falling prices of flat-panel TVs and are snapping them up. Efficient manufacturers have taken advantage of globally dispersed supply chains to make and sell low-cost, high-quality flat-panel TVs. Foremost among these has been the California-based company, Vizio, founded by a Taiwanese immigrant. In just four years, sales of Vizio flat-panel TVs ballooned from nothing to $700 million in 2006. The company was forecasting sales as high as $2 billion for 2007. Vizio, however, has only 75 employees. These workers focus on final product design, sales, and customer service. Vizio outsources most of its engineering work, all of its manufacturing, and much of its logistics. For each of its models, Vizio assembles a team of supplier partners strung across the globe. Its 42-inch flat-panel TV, for example, contains a panel from South Korea, electronic components from China, and processors from the United States, and it is assembled in Mexico. Vizio's managers scour the globe for the cheapest manufacturers of flat-panel displays and electronic components. They sell most of their TVs to large discount retailers such as Costco and Sam's Club. Good order visibility from retailers, coupled with tight management of global logistics, allows Vizio to turn over its inventory every three weeks, twice as fast as many of its competitors, which is a major source of cost saving in a business where prices are falling continually.

On the other hand, the shift to flat-panel TVs has caused pain in certain sectors of the economy, such as those firms that make traditional cathode-ray TVs in high-cost locations. In 2006, for example, Japanese electronics manufacturer Sanyo laid off 300 employees at its U.S. factory and Hitachi closed its TV manufacturing plant in South Carolina, laying off 200 employees. Both Sony and Hitachi still make TVs, but they are flat-panel TVs assembled in Mexico from components manufactured in Asia.

Sources: D.J. Lynch, "Flat Panel TVs Display Effects of Globalization," *USA Today,* May 8, 2007, pp. 1B, 2B; P. Engardio and E. Woyke, "Flat Panels, Thin Margins," *BusinessWeek,* February 26, 2007, p. 50; and B. Womack, "Flat TV Seller Vizio Hits $600 million in Sales, Growing," *Orange County Business Journal,* September 4, 2007, pp. 1, 64.

Case Discussion Questions

1. Why is the manufacturing of flat-panel TVs migrating to different locations around the world?
2. Who benefits from the globalization of the flat-panel display industry? Who are the losers?
3. What would happen if the U.S. government required that flat-panel displays sold in the United States had to also be made in the United States? On balance, would this be a good or a bad thing?
4. What does the example of Vizio tell you about the future of production in an increasingly integrated global economy? What does it tell you about the strategies that enterprises must adopt to thrive in highly competitive global markets?