

PGDM – IB 2014-16
International Strategic Management
IB 501

Trimester – V, End-Term Examination: December 2015

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Section A (3 out of 4 short questions, 5 marks each)

1. What are some of the variations of international strategy configuration, and examples of each?
2. Discuss the two concepts that demonstrate the dynamic aspects of resources and capabilities.
3. What is CAGE model, debate it against PESTLE model.
4. What are the conditions under which first-mover advantages diminish and fast-follower advantages increase?

Section B (2 out of 3 long questions, 10 marks each)

5. How might a firm use their integration of the value chain to gain a competitive advantage?
6. What is the purpose of the VRINE model? Use the VRINE model to analyze drug patents.
7. Use the five-forces model to analyze the airline industry.

Section C (case study, 15 marks)

Wal-Mart in Learning

Walmart can boast that it has more than 8,500 stores in 15 countries, under 55 different names, that it's the largest private employer in the United States, the largest in Mexico (as Walmex), and the third largest in Canada. In fact, it's the biggest private employer in the whole world. It has 108 stores in China alone, and operates another 100 Chinese outlets under the name of Trust-Mart. It failed in Germany, and problems are not limited to Germany. The retail giant has struggled in countries like South Korea and Japan as it discovered that its formula for success — low prices, zealous inventory control and a large array of merchandise — did not translate to markets with their own discount chains and shoppers with different habits.

Still, for all of Walmart's conspicuous success, the retailing giant, after having set up shop in Germany in 1997, was forced to withdraw from the country in 2006, abandoning Germany's lucrative \$370 billion retail market. Even though this happened five years ago, the German debacle still reverberates. It's still being discussed. After all, as anyone who's been paying attention can tell you, Walmart rarely fails in these endeavors.

Because America and Europe share similar cultural and political antecedents, one might naturally assume that an American enterprise would have a better chance of succeeding in Europe than in Asia. But the German smackdown proved that's not always the case. Indeed, while the nominal Communist regime of the People's Republic of China embraced Walmart's corporate philosophy, the Germans rejected it.

Though no one can say precisely why the venture failed, there's been no shortage of explanations. One is that Germany was too "green" for a slash-and-burn outfit like Walmart, with its plastic bags and plastic junk. Another is that Walmart couldn't hack the pro-labor union culture of Germany. Another is that Germany is anti-American when it comes to name-brand retailers (even though Dunkin' Donuts and Starbucks are popular there). Another is that German consumers prefer small neighborhood stores rather than impersonal chain (even though Aldi, a discount supermarket chain, is successful).

While there is probably some validity to all of these explanations, three additional cross-cultural idiosyncrasies have been identified as determining factors.

One issue was the chanting. Walmart employees are required to start their shifts by engaging in group chants and stretching exercises, a practice intended to build morale and instill loyalty. Fiendish as it sounds, Walmart employees are required to stand in formation and chant, "WALMART! WALMART! WALMART!" while performing synchronized group calisthenics.

Unfortunately, this form of corporate boosterism didn't go over particularly well with the Germans. Maybe they found it embarrassing or silly; maybe they found it too regimented. Or maybe they found this oddly aggressive, mindless and exuberant exercise in group-think too reminiscent of other rallies....like one that occurred in Nuremberg several decades earlier.

Another issue was the smiling. Walmart requires its checkout people to flash smiles at customers after bagging their purchases. Plastic bags, plastic junk, plastic smiles. But because the German people don't usually smile at total strangers, the spectacle of Walmart employees grinning like jackasses not only didn't impress consumers, it unnerved them.

The third was the "ethics problem." Back in 1997, Walmart not only required employees to spy on fellow workers (and report any misconduct), but prohibited sexual intimacy among its employees. Apparently, while the folks running the Bentonville, Arkansas-based company had no problem with screwing the environment, they couldn't abide employees doing it to each other (alas, a German court struck down Walmart's "ethics code" in 2005). Wal-Mart even took a \$1 billion loss to sell 85 stores in Germany in 2006 and sold out of South Korea the same year.

Whatever the specific reasons, the German market is now verboten to Walmart. Clearly, the failed experiment was a severe blow to the company's pocketbook and pride. And while no one can predict where a company as aggressive and acquisitive as Walmart will turn up next, presumably, they will pick up the slack by opening a store in Libya. Mexico, Brazil, and China are just the latest challenges for Wal-Mart and continue a long history of challenges internationally. Recently, the company ended a joint venture in India that was planned to open hundreds of superstores to serve over 1 billion consumers.

Case Questions:

1. What are learnings for Wal-Mart in German market?
2. What should be a good strategy of Wal-Mart to enter in an emerging market like Mexico; India OR China (chose one to expand your argument).