UNIVERSITI UTARA MALAYSIA

PEPERIKSAAN AKHIR SEMESTER PERTAMA SESI 2009/2010
FINAL EXAMINATION FIRST SEMESTER SESSION 2009/2010

KOD/ NAMA KURSUS : BFMA 3083 / FIRMA MULTINASIONAL
COURSE CODE/ NAME : BFMA 3083 / MULTINATIONAL CORPORATION
TARIKH / DATE : 7 NOVEMBER 2009 (SABTU/SATURDAY)
MASA / TIME : 09.00 AM - 11.30 AM (2½ JAM)
TEMPAT / VENUE : DSB K.MAS

ARAHAH :
1. Kertas soalan ini mengandungi LIMA (5) soalan dan lampiran kajian kes dalam ENAM (6) halaman bercetak tidak termasuk kulit hadapan.
2. Sila jawab SEMUA soalan di dalam kertas jawapan yang disediakan.
3. Mulakan setiap jawapan pada muka surat yang baru.

INSTRUCTION:
1. This question paper contains FIVE (5) questions and appendix of case study in SIX (6) printed pages excluding the cover page.
2. Answer ALL the questions on the answer sheet provided.
3. Begin each answer on a separate sheet paper.

NO MATRIK: ____________________________
MATRIC No: (dengan perkataan / in word) ____________________________
(dengan angka / in figures)

No. KAD PENGENALAN: ____________________________
IDENTIFICATION CARD NO.

PENSYARAH: ____________________________
LECTURER'S NAME

KUMPULAN: ____________________________
GROUP

No. MEJA: ____________________________
TABLE No.

JANGAN BUKA KERTAS SOALAN INI SEHINGGA DIBERI ARAHAH
PLEASE DO NOT OPEN THE QUESTION PAPER UNTIL TOLD TO DO SO
Section/Bahagian A.

1. a) According to Troopenaars, Americans are known to be universalist while South Koreans are known to be particularist. Explain these TWO (2) different behaviors and elaborate what are the business cultures that can be seen from these two cultural dimensions.

b) What are the TWO (2) major cautions that MNCs managers have to be careful in dealing with culture? Describe with examples.

a) Berdasarkan kepada Troompenaars, rakyat Amerika dikenali sebagai universalis manakala rakyat Korea Selatan dikenali sebagai particularis. Terangkan DUA (2) perbezaan gelagat ini dan jelaskan apakah budaya pemigaan yang dapat dilihat dari dua dimensi budaya ini.

(10 marks/markah)

b) Apakah DUA (2) perkara utama yang perlu diberi perhatian oleh pengurus MNC berkaitan dengan budaya. Jelaskan dua perkara tersebut beserta contoh-contoh yang sesuai.

(10 marks/markah)

2. How does level of industrialization and economic system of nations can be linked to MNCs management? Provide TWO (2) relations with examples for industrialization and economic system.

Bagaimana peringkat industrilisasi dan sistem ekonomi suatu negara dapat dikaftarkan dengan pengurusan MNC? Berikan DUA (2) hubungan industrilisasi dan sistem ekonomi dengan contoh.

(16 marks/markah)
Questions below are based on the case given (Alcatel Acquires its Joint Venture Shanghai Bell).
Soalan di bawah adalah berdasarkan kepada kes yang diberi (Alcatel Acquires its Joint Venture Shanghai Bell).

3. a) What are THREE (3) main reasons motivated Alcatel to consider acquiring Shanghai Bell?

b) Why did the negotiations take so long? Explain TWO (2) reasons for that.

c) Why was the scope of the new Alcatel Shanghai Bell dramatically widened? Identify THREE (3) pros and cons for that.

a) Apakah TIGA (3) alasan utama yang mendorong Alcatel untuk mengambil alih Shanghai Bell?

(9 marks/markah)

b) Mengapakah perundingan mengambil masa yang terlalu lama? Terangkan DUA (2) alasan untuk perkara tersebut.

(6 marks/markah)

c) Mengapa skop Alcatel Shanghai Bell yang baru tiba-tiba diperluaskan? Kenalpasti TIGA (3) perkara yang menyokong dan membangkang perkara tersebut.

(9 marks/markah)
Bahagian/Section B. Long essay question.

1. Discuss the MNCs contribution to the growth of international business and globalization. Highlight how both MNCs and international business are interconnected and what are the drivers for the exponential growth of the discipline.

Bincangkan sumbangan MNC kepada perkembangan perniagaan antarabangsa dan globalisasi. Terangkan bagaimana MNC dan perniagaan antarabangsa berhubungkait dan apakah pendorong-pendorong kepada perkembangan pesat bidang ini.

(20 marks/markah)

2. Based on the case of “Competing in the Beauty Products Industry”, describe in detail the following:
   a) Reasons for its long staying power in the industry
   b) How the company react to a new entries
   c) How do new entrants overcome entry barriers?
   d) Why do retail chains gain bargaining power as buyers at the expense of department stores?

Berdasarkan kepada kes “Competing in the Beauty product Industry”, jelaskan secara mendalam perkara berikut:
   a) Alasan untuk terus kuku di dalam industry dalam jangkamasa lama
   b) Bagaimana syarikat bertindakbalas kepada pesaing baru
   c) Bagaimana pesaing dapat mengatasi halangan kemaasukan?
   d) Mengapa rantaian runcit mendapat kuasa menawar sebagai pembeli dari stor membeli-belah.

(20 marks/markah)
Closing Case: Alcatel Acquires Its Joint Venture, Shanghai Bell

Alcatel (http://www.alcatel.com) is a Paris-based, leading global telecommunications solutions supplier with sales of 31 billion Euro in 2000, 25 billion in 2001, and 17 billion in 2002 (thanks to a global recession in the telecom sector). In 1985, Alcatel formed a JV in China, named Shanghai Bell, in which it had 32 percent of equity. Its state-owned Chinese partner PTIC (http://www.ptic.com.cn) had 60 percent, and Fund for Development Corporation of the Belgian government (http://www.belgium.be) had 8 percent. The JV became a leading player in the booming telecom equipment sector in China, reaching a $1.3 billion annual turnover in 2000. Shanghai Bell supplied one-third of the installed base of fixed line switches in China and was the number one producer worldwide. However, Shanghai Bell was almost a single product company, too heavily dependent on fixed line switches. The competition from low-cost Chinese rivals pulled the price per line down from $100 to $9 in five years, and made the JV unable to afford R&D expenses to develop new products other than fixed lines. Clearly, despite its past success, the JV was in need of some major strategic changes.

Under these circumstances, Alcatel sought to convert this JV into one of its fully consolidated units. The primary rationales were to put this JV under tighter leash as competition intensified as well as to better capitalize on the continued growth of the Chinese economy. Alcatel initiated the negotiations in early 2000, with the goal of achieving no concrete progress. A lot had changed during that period. Just a year before, the telecom sector was the darling of investors worldwide; whereas by August 2001, it was in the middle of a profound crisis. The share value of Alcatel had lost 75 percent during 2001 (from $63.92 in January to $16.39 in December). The mandate from corporate headquarters—to use this acquisition in one of the few remaining bright spots in the global economy, to add value to the entire corporation—became more important as the global recession worsened.

Although Alcatel had been a seasoned player in China and generally had good working relationships with its partner, negotiations showed that Alcatel did not know enough about its partner. One of the first problems Alcatel encountered was identifying who would really make the
dispose of the shares. While the theoretical owner of the Chinese partner is the State Assets Bureau, the actual decision would come from the Ministry of Information Industry (MII) in charge of the telecom industry—and they are two completely different government bodies. As Shanghai Bell was perceived as a crown jewel of the Chinese telecom industry, even the MII would not want to make a decision to sell, which might turn out to be politically incorrect. In the end, the problem reached the highest political level, where during a meeting, Chinese Premier Zhu Rongji told Serge Tchuruk, chairman and CEO of Alcatel, “Sell? Yes, it is for sale, but subject to a reasonable price.”

Finding this “reasonable price” took Alcatel and Chinese negotiators one and a half years to negotiate, but they remained at a standstill by August 2001. On the Chinese side, the “reasonable price” was not just an economic term, it was predominantly political. What was a “reasonable price” for Shanghai Bell? A JV which had been nurtured by the Shanghai municipality government since the beginning—most importantly, nurtured personally during the period when President Jiang Zeming and Premier Zhu Rongji had been the mayor and communist party boss of Shanghai, respectively. Any price could be challenged by others for “cheaply selling state-owned assets to foreigners,” and the career consequence for an official making the decision could be disastrous.

On the Alcatel side, the headquarters instructed the negotiation team to drop the deal if it could not close by the second quarter of 2002. The longer the negotiations took, the stronger the oppositions within Alcatel emerged. “Why spend so much money to acquire a weak majority in a company that has no future?” according to one argument, which pointed out that Alcatel had eighteen other units in China all in need of investment.

Another argument suggested that Alcatel might be perceived as a hostile predator by the Chinese government rather than a friendly foreign investor. Finally, there were some reservations about post-acquisition integration problems.

Eventually, an agreement was reached and announced on October 23, 2001. The financial market reacted positively with a 5 percent same-day jump of Alcatel stock. Alcatel agreed to spend $312 million to acquire Shanghai Bell, but the deal was more comprehensive than simply increasing Alcatel’s shares in Shanghai Bell. The deal entailed completely restructuring and consolidating twelve of Alcatel’s JVs in China under a new organizational structure with a much larger scope called Alcatel Shanghai Bell (ASB, http://www.alcatel-sbell.com.cn). Alcatel holds 50 percent plus one share and Chinese shareholders hold the remainder—the Belgian shares were bought out. Alcatel did not ask for 60 percent because it wanted to be a partner, rather than a controlling shareholder. Nevertheless, the “50/50+1” method has given Alcatel, which does not want to have the last word on every minute decision, the ultimate say with respect to key decisions. In exchange, Alcatel agreed to let ASB gain full access to the global repertoire of its technology, something the firm was reluctant to do when dealing with the old Shanghai Bell and other JVs in China.

With 6,500 employees, ASB covers the fixed, mobile, and broadband networking solutions and applications. ASB also has a key R&D center with 15 percent of Alcatel’s global R&D budget, developing original technology for Alcatel’s customers in China and the world. In addition, Alcatel has also moved its Asia Pacific headquarters to Shanghai. Overall, ASB endeavors to stay ahead of multinational rivals in China and in the Asia Pacific region.
Closing Case: Competing in the Beauty Products Industry

As a $160 billion-a-year global industry, the beauty products industry encompasses make-up, skin and hair care, perfumes, cosmetic surgery, health clubs, and diet pills. Incumbents have remarkably long staying power in this industry. L’Oreal (http://www.loreal.com) of France, today’s industry leader, was founded in 1909. In 1911, both Nivea (http://www.nivea.com) of Germany and Shiseido (http://www.shiseido.co.jp) of Japan were established. In America, Elizabeth Arden (http://www.elizabetharden.com) and Max Factor (http://www.maxfactor.com) were founded at about the same time. All these brands are still around, although not necessarily as independent companies.

Recently, the industry has been growing at 7 percent per year, more than twice the rate of the developed world’s GDP. Two groups around the world underpin this strong growth: Richer, aging baby Boomers in developed economies and an increasingly more affluent middle class in emerging economies, such as Brazil, China, India, Russia, and South Korea. Brazil, for example, has a larger army of Avon Ladies (http://www.avon.com), 900,000 strong, than its men and women in the army and navy combined (!).

Three major changes affect this industry. First, a number of new entrants have emerged. Most luxury goods firms, such as Chanel (http://www.chanel.com), Dior (http://www.dior.com), Ralph Lauren (http://www.pol.com), and Yves St Laurent (http://www.ysl.com), now have beauty products. Two consumer goods giants, Proctor & Gamble (P&G, http://www.pg.com) and Unilever (http://www.unilever.com), pose probably the most significant threats. As their traditional products such as diapers and soaps mature, they are pouring more resources into their beauty divisions. Second, changes in consumer behavior help no-frills retail chains such as Wal-Mart (http://www.walmart.com) gain bargaining power at the expense of fashionable department stores, whose selling costs are high and sales are declining. Wal-Mart, for example, only wants to deal with a handful of big suppliers, which plays into the strength of L’Oreal and P&G. Smaller players, such as Estee Lauder (http://www.esteeint.com) and Revlon (http://www.revlon.com), which depend more on department stores, are hurting as a result. Finally, incumbents increasingly are fighting back, by emphasizing how unique their products are. L’Oreal, for example, advertised how many patents it has filed. Shiseido made more concrete claims: Its new Body Creator skin gel can melt 1.1 kilograms (2.4 pounds) of body fat a month without any need to diet or exercise. It apparently works, or at least customers believed so: During its first year, 2002, a bottle was bought in Japan every 3.75 seconds (!).

While the market for traditional beauty products becomes more competitive, the industry’s real growth may come from areas outside the “radar screen” of the main players: cosmetic surgery and well-being products. First, cosmetic surgery is no longer the exclusive territory of actresses and celebrities. In the United States, it cost $12,000 to reconstruct a woman’s breasts ten years ago—now it can be done for $600. More than 70 percent of such customers now earn less than $50,000 a year. The US market for cosmetic surgery, a $20 billion business, has grown 220 percent since 1997. The second area for growth is well-being products, made popular by spas, salons, and clubs linking beauty with natural solutions such as exercise and diet as opposed to chemicals. Numerous entrepreneurs operate a few spas, salons, and clubs here and there and the market is fragmented. Sooner or later, some traditional beauty products companies likely will turn their attention to these new areas as well.