UNIVERSITI UTARA MALAYSIA

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

KOD/NAMA KURSUS : BFMA3103 / DASAR PERNIAGAAN ANTARABANGSA
CODE/COURSE : BFMA3103 / INTERNATIONAL BUSINESS POLICY
TARIKH / DATE : 2 NOVEMBER 2009 (ISNIN / MONDAY)
MASA / TIME : 9.00 AM - 11.30 AM (2 1/2 JAM / HOURS)
TEMPAT / VENUE : DMS

ARAHAN:

1. Kertas soalan ini mengandungi LIMA (5) soalan dalam LIMA (5) halaman bercetak tidak termasuk kulf hadapan.
2. Sila jawab SEMUA soalan di dalam kertas jawapan yang disediakan.

INSTRUCTION:

1. This question paper contains FIVE (7) questions in FIVE (5) printed pages excluding the cover page.
2. Answer ALL the questions on the answer sheet provided.

NO. MATRIK : 
MATRIC NO. (dengan perkataan/ in words) (dengan angka/ in figures)
NO. KAD PENGENALAN : 
IDENTIFICATION NO.

NAMA PENSYARAH :
LECTURER'S NAME

KUMPULAN : 
GROUP
NOMBOR MEJA : 
TABLE NO.

JANGAN BUKA KERTAS SOALAN INI SEHINGGA DIBERI ARAHAN
PLEASE DO NOT OPEN THE QUESTION PAPER UNTIL INSTRUCTED
Soalan 1

(1) Huraikan tiga bentuk serangan pesaingan. (15 markah)

(2) Satu cadangan dalam bentuk strategi adalah firma mungkin akan menggunakan pendekatan 'menipu' untuk mengaburi pesaing terhadap objektif firma yang sebenarnya. Adakah amalan ini beretika? Terangkan. (10 markah)

Question 1

(1) Explain three types of competitive attack. (15 marks)

(2) It was suggested that a firm might attempt to mislead a rival as to the firm's true objective – i.e. feint. Is that unethical? Explain. (10 marks)

Soalan 2

(1) Bagaimanakah gabungan organisasi boleh mencapai situasi “win/win”? (15 markah)

(2) Bagaimana konsep “kerja sama pengkhususan” dapat membantu? (10 markah)

Question 2

(1) How can an organizational alliance be a “win/win” situation? (15 marks)

(2) How can the concept of “cooperative specialization” help? (10 marks)

Soalan 3


Question 3

You are the CEO of Skali International – an Information Technology company, and you are contemplating expanding into Vietnam. You have the resources needed to start from scratch in that country but it is also possible to acquire the company that dominates the Vietnam industry. Which do you think would be best - start from scratch or an acquisition? Explain your answer. (25 marks)
Soalan 4

(1) Terangkan konsep 'liability of foreignness'. (10 markah)

(2) Pakar-pakar pengurusan strategik mencadangkan dari pandangan 'resource-based', firma perlu membangunkan kebolehan untuk mengurangkan 'liability of foreignness'. Walaubagaimanapun, bagaimanakah firma kecil boleh melanakannya? (15 markah)

Question 4

(1) Explain the concept of liability of foreignness. (10 marks)

(2) Strategic management scholars point out that from a resource-based view, firms need to develop capabilities to offset the liability of foreignness. However, how does a small firm do that? (15 marks)

Soalan 5

Sila rujuk kajian kes “Incat-Afai JV”, dan jawab kesemua soalan di bawah.

(1) Mengapakah INCAT mahu memngadakan usahasama (JV) berbanding dengan perjanjian perlesenan seperti sebelumnya? (7 markah)

(2) Mengapakan INCAT berasa selesa dengan usahasama (JV) yang longgar dimana tidak dinyatakan dengan terperinci kemahiran teknologi yang akan disumbangkan oleh setiap pihak yang terlibat. (10 markah)

(3) Senarikan DUA (2) kelemahan dan DUA (2) kelebihan melalui pendekatan INCAT ini. (3 markah)

Question 5

Please refer to the case study “Incat-Afai JV”, and answer all of the questions below.

(1) Why did INCAT want to establish a joint venture as opposed to relying on licensing agreement as before? (7 marks)

(2) Why is INCAT comfortable with a loose joint venture agreement which does not detail out of technological expertise each party is to contribute? (10 marks)

(3) List TWO (2) drawbacks and TWO (2) advantages of INCAT’s approach? (8 marks)
THE INCAT-AFAI JOINT VENTURE: TECHNOLOGY TRANSFER WITH A LOOSE CONTRACT

Despite the often noted concern for intellectual property violation in joint ventures, Australia’s INCAT entered a joint venture with Hong Kong’s AFAI with a very loose contract.

One of the leading concerns in joint venture (JV) management is one party’s unauthorized appropriation of technology from another party. Typical remedies are extensive legal contracts specifying the rights and responsibilities of each side. But there are still numerous cases of legal disputes, however, there are exceptions. The China-based JV between INCAT (http://www.incat.com.au), an Australian company that produces high-speed ferries, and AFAI (http://www.afaiships.com), a Hong Kong shipbuilder, is one interesting exception.

INCAT

Established in 1978 as International Catamarans Pty Ltd, INCAT has been a dominant player in the world market for high-speed car- and passenger-carrying ferries. As a “born global,” it started with a strong export orientation from the outset. Its innovative design and production have allowed INCAT to grow from 31 employees in 1978 to 1,000 in 2000. It has built approximately 50 percent of high-speed car- and passenger-carrying ferries currently in operation worldwide. INCAT’s success was made possible due to a program of cutting-edge research and development (R&D) to improve product design and performance. The program’s result has been an improved wave-piercing vessel that could travel easily through oncoming waves and for long distances. INCAT is particularly known for two successful high-speed ferry designs. The first is a large, wave-piercing catamaran and the second is a small “k class” catamaran created for sheltered ferry trips. These two designs have set world standards for ocean-based transport around the world for cars and passengers, and have recently attracted the attention of Australian and US militaries (see Strategy in Action 6.1 in Chapter 6).

The Joint Venture

Unable to fill orders, INCAT licensed shipyards to build vessels in Australia, New Zealand, Hong Kong, Singapore, the United States, and the United Kingdom. For several reasons, INCAT decided in mid-1995 to form a JV with another shipbuilder for offshore production. One reason was the increasing global demand for its high-speed ferries, which far outweighed its capabilities with its single Tasmania-based shipyard. A second reason was that the Australian government was attempting to abolish the subsidies that helped the Australian shipbuilding industry to compete overseas. Third, INCAT had a disadvantage in delivering ships to the very distant northern hemisphere, due to high costs and rivalry.

A number of shipyards from China, Hong Kong, Malta, Sweden, the United States, and the United Kingdom expressed strong interest in a JV with INCAT. In 1996, INCAT chose to enter a JV with one of its former Hong Kong licensees, AFAI High Performance Ships Ltd., for the production of its “k class” catamaran. Under the agreement, INCAT held 49 percent of the equity whereas AFAI controlled 51 percent. Production was to take place at AFAI’s shipyard in Panyu, southern China. Prior to entering this JV, AFAI constructed boats for INCAT from 1982 to 1989 with no formal licensing agreement ever being signed. The trust that was built through this prior relationship was a major reason why INCAT chose AFAI. AFAI is also a company that is well versed in Western business and culture, due to its other JVs in addition to that with INCAT. Although these other JVs are in the shipbuilding industry, they were not competitors to INCAT. Yet a third attractive point was that AFAI’s shipyard in Panyu began during a time of rapid growth of high-speed transport in the Pearl River Delta in southern China, enabling AFAI
to gain valuable skills in the repair, maintenance, and development of high-speed ferries. AFAI’s purpose built, 50,000-square-meter specialist shipyard in Panyu is, according to AFAI’s Web site, “the only one of its kind in Asia, reflecting a fastidious attention to finished detail that is almost unnerving to our competitors.”

As part of the JV, INCAT was responsible for the design of the vessels as well as supplying the Chinese shipyard with the machinery and prefabricated components for the “k class” catamarans. INCAT had lower component costs than AFAI, due to its significant buying power. Production in China further strengthened buying power. AFAI’s responsibilities were to supply the labor and management to build the vessels as well as technical assistance. Through this arrangement, INCAT has been able to achieve economies of scale by specializing in its large wave-piercing catamarans in Tasmania, while the Chinese shipyard concentrated on the smaller “k class” vessels.

Different from the previous licensing relationship that INCAT had with AFAI, INCAT had much more control in the JV arrangement. All vessels had to be made according to INCAT’s instruction. However, while control increased, so did the associated risk levels and commitment of resources from INCAT. As part of the agreement, INCAT agreed to bear all costs related to the supply of equipment and components to AFAI until the vessel was sold. In addition, INCAT was to receive no payment for the knowledge and technology that it supplied to AFAI. Therefore, INCAT had the potential to suffer financially if the construction or sale of its product was delayed, unlike the previous arrangement. Each “k class” vessel was worth US$17 million, whereas the vessels constructed in the previous arrangement were worth US$1.3 to $2 million.

Unlike most international licensing and JV agreements, the joint production arrangement between these two companies was unusual in that the agreement did not specify exactly what each partner would contribute in technological expertise to the JV. Neither company intended to restrict the contribution of the other partner. Rather, both parties agreed to do whatever was necessary (within reason) to construct “k class” vessels for the world market. This type of agreement exemplifies a great deal of flexibility. But it will only succeed if a relationship based on trust exists between the parties. Both INCAT and AFAI stated that they trust the other partner to get their half of the bargain accomplished. This statement, coupled with the Chinese business culture known as guanxi, which is based on trust, reciprocity, and obligation, has allowed this partnership to succeed. In 1998, the JV delivered an 80-meter catamaran with a carrying capacity of 400 people and 89 cars, with an overall cost of $7 million when fully loaded.

Why such a Loose Contract?

Given the often-voiced concern for intellectual property protection, why did INCAT choose such a loose contract in its JV arrangement with AFAI? This is primarily because INCAT’s management is not concerned with legally defined intellectual property to protect its global market share. INCAT had not registered patents or designs. In fact, INCAT had not even registered a trademark to protect its name and logo. One could attribute this to the fact that INCAT is a smaller, privately owned company. One could also consider the costs and ineffectiveness associated with legally protecting intellectual property. In fact, only a small proportion of the total package of technology being transferred by INCAT to its JV partner could be protected by intellectual protection laws. However, neither of these appears to be the major reason why INCAT did not engage in such activities. INCAT continued to demonstrate a lack of concern over the possibility of AFAI taking away its designs and/or processes. This is especially interesting since the Chinese government-operated company, Guangzhou Maritime Shipping Bureau, was affiliated with the shipyard. The JV agreement did afford a certain degree of protection from outside parties by including confidentiality clauses designed to prevent AFAI from disclosing INCAT’s proprietary information to third parties. Although these clauses existed, INCAT recognized the limited extent of protection that they provide.

INCAT’s primary sources of competitive advantage lie in (1) a relentless emphasis on innovation, (2) an ongoing commitment to clients, and (3) a strong reputation for safety. The first item, an emphasis on innovation, is one explanation as to why INCAT is not interested in securing intellectual property rights legally. INCAT believes that it will sustain its technological superiority with intense R&D activity. While all vessels sold in the international market by INCAT include paper and electronic plans explaining how the product was built, INCAT’s management insists that simple plans are not as valuable as they may seem. In addition to the plans, all the background information and research that went into the process is needed if a competitor wishes to build or adapt one of INCAT’s designs. Yet a vast array of essential knowledge is not embodied in the plans. This essential knowledge includes mechanical principles underlying the design that are codified, as well as critical tacit knowledge. This tacit knowledge is built up over years of experience, and cannot be easily taken away (“stolen”).
Second, INCAT’s commitment to clients is evident through its ability to provide maintenance assistance via its computerized design system. When a client experiences a problem, INCAT can design a solution and electronically send it to minimize downtime for the customer. This system also tracks each vessel that INCAT has produced throughout its lifetime, even through ownership changes. Learning is transferred and customer service is enhanced through this mechanism.

To continue upholding its reputation for safety, INCAT recreates via a computerized simulation every possible incident that occurs with sea ferries, in order to ascertain and improve its vessels’ ability to withstand a potential disaster. These results are distributed to interested parties worldwide to demonstrate the company’s dedication to keeping passengers safe and minimizing risks. INCAT also participates in international marine advisory boards and works closely with companies that specialize in safety components.

Overall, INCAT’s avoidance of formal means of intellectual property protection in China, a country reportedly with rampant intellectual property violations, can be explained by the implicit protection afforded through its abilities to uniquely combine capabilities relating to innovation, client commitment, and safety, in which its proprietary technology and know-how is embedded and renewed. According to INCAT’s managing director:

*What we do have is mostly in our heads and it is a sort of intellectual property which is far more valuable than being on paper.*