



STRATHMORE INSTITUTE
DIPLOMA IN INTERNATIONAL RELATIONS
END OF SEMESTER EXAMINATION
DIR 1106: INTERNATIONAL BUSINESS AND DEVELOPMENT

DATE: 10th September 2021

TIME: 2 Hours

Instructions

1. This examination consists of **FIVE** questions
2. Answer **question ONE (COMPULSORY)** and any other **TWO** questions
3. Do not write on the question paper.

SECTION A: (30 MARKS)

QUESTION ONE

(a) *Multiple Choice Questions: Indicate the correct option (e.g., A/B/C/D/E) on the answer booklet.* **(20 marks)**

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| <p>i) Supporters of globalization maintain that the apparent decline in real wage rates of unskilled workers.</p> <ul style="list-style-type: none">A. Is due to technological changes that create greater demand for skilled workers.B. Is due to the migration of low-wage manufacturing jobs offshore.C. Can be checked by increasing government ownership of enterprises.D. Can be checked by limiting free trade and foreign investment. <p>ii) AWT Ltd, Research and Development Division has recently designed a new coffee vending machine that is likely to sell very well in the market. It is compact, user-friendly, and provides unprecedented</p> | <p>efficiency in terms of cost per cup. Consequently, the company fears that its competitors would soon mimic the design of its product. To protect its product, the company is now seeking a</p> <ul style="list-style-type: none">A. copyright.B. patent.C. trademark.D. certification <p>iii) Teshar is the manager of a large manufacturing facility in your country. Local government officials are pressuring him to pay them a substantial bribe and are threatening to force the facility to close if he does not comply. Teshar's company has a zero-tolerance policy toward corruption. However, Teshar is aware that</p> |
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- closing the factory will plunge the local community into unemployment and abject poverty. Teshar is at a loss to know what to do. Teshar is facing a(n):
- A. paradox.
 - B. tragedy of the commons.
 - C. Warnock's dilemma.
 - D. ethical dilemma
- iv) If Lenovo won an order to sell 800 new minicomputers to Canada, but the Canadian government stipulated that 30 percent of the component parts of the minicomputers it purchased must be produced in Canada, that stipulation would be an example of a(n):
- A. voluntary export restraint.
 - B. administrative policy.
 - C. import quota.
 - D. local content requirement.
- v) An order written by an exporter instructing an importer, or an importer's agent, to pay a specified amount of money at a specified time is referred to as.
- A. Export-Import Bank
 - B. Bill of lading
 - C. Bill of exchange
 - D. Export Management Company
- vi) This document is issued to an exporter by a common carrier transporting merchandise; it serves as a receipt, a contract, and a document of title.
- A. Bill of lading
 - B. Time draft
 - C. Bill of exchange
 - D. Switch trading
- vii) Money inflow is greater than money outflow (income exceeds expenditure)
- A. BOP disequilibrium
 - B. BOP equilibrium
 - C. BOP deficit
 - D. BOP surplus
- viii) World Bank gives aid of \$150 million to your country for creating rural health care facilities. This is an example of foreign direct investment.
- A. True
 - B. False
- ix) Which of the following is true regarding international businesses?
- A. All MNEs are international businesses.
 - B. Only firms that export products are international businesses.
 - C. Only firms that invest abroad are international businesses.
 - D. All international businesses are MNEs.
- x) Which of the following statements is true regarding an international business?
- A. An international business needs to invest directly in operations in other countries.
 - B. An international business needs to have homogenous practices across countries.
 - C. An international business can be managed in the same way that a domestic business is managed.
 - D. An international business must find ways to work within the limits imposed by government intervention.
- xi) Globalization is criticized because it increases the power of
- A. Governments to own enterprises.
 - B. Unskilled labor to form labor unions.
 - C. Supranational organizations over nation-states.
 - D. Nation-states to regulate markets and reduce competition.
- xii) The rise in the number of mini multinationals means that
- A. small businesses are becoming increasingly involved in international trade and investment.
 - B. it is increasingly difficult to enter the large multinational market.
 - C. countries are working together to minimize MNE influence.
 - D. there is greater state involvement in industry.
- xiii) Nissan is a multinational enterprise (MNE), which is a firm that
- A. Exports its products to multiple countries.

- B. Has production activities in more than two countries.
 C. Does most of its business on the internet.
 D. Lists its securities on a public exchange.
- xiv) Command economies tend to stagnate because?
 A. Costs are tightly controlled, and business are forced to be efficient rather than dynamic and innovative.
 B. The abolition of private ownership means there is no incentive for individuals to look for better ways to serve consumer needs.
 C. All economic resources are mobilized for the public good.
 D. Individuals in command economy countries lack the skills to be innovative.
- xv) Taji had been getting red patches on her face after using a protein-based lotion manufactured by Nature Life Research Lab. On consulting a dermatologist, she learned that the lotion's steroid levels were beyond the standard levels permitted by the government and the damage caused by the lotion was irreversible. Which of the following will address Taji's grievances?
 A. Laws related to property rights
 B. Product liability laws
 C. Intellectual property laws
 D. Foreign corrupt practices act
 E. Sarbanes-oxley act
- xvi) _____ is like a customs union, except that products, services, and factors of production such as capital, labor, and technology can move freely among the member countries.
 A. Economic union
 B. Council of EU
 C. Customs union
 D. Common market
- xvii) Cooperative agreements between potential or actual competitors to facilitate market entry, share cost/risk, bring together complementary skills and assets and establish technological standard.
 A. Greenfield Strategy
 B. First mover Advantages
 C. Strategic alliances
 D. Management Know-hows
- xviii) The communications, religion, values and ideologies, education, and social structure of a country are referred to as
 A. Global corporation
 B. Transnational teams
 C. Work permit, or visa
 D. Cultural environment
- xix) _____ states that the bank will pay a specified sum of money to a beneficiary, normally the exporter, on presentation of particular, specified documents.
 A. Export import bank
 B. Letter of credit
 C. Switch trading
 D. Countertrade
- xx) _____ refers to the donation of money, time, goods, or services to charitable, humanitarian, or educational institutions.
 A. Whistle blowing
 B. Ethical dilemma
 C. Philanthropy
 D. Ethical lapse

- (b) Your class is involved in this debate with another institute that offers International Relations course; “consider whether the shift toward a more integrated and interdependent global economy is a good thing”.

Discuss this shift from the perspective of the consumer and the *firm*.

(4 marks)

- (c) You have been invited for a conference at Strathmore University Business School, where you are supposed to make a presentation on; “issues an international business manager confronts, that a domestic business manager never confronts”.

Giving examples to expound on your points, explain **two** key issues. (4 marks)

- (d) The management of AWT Ltd, a multinational enterprise that sells domestic ware in your country is considering expanding to other countries to establish their presence.

Explain to the management the importance of taking into consideration socio-cultural difference in their expansion strategy. (2 marks)

SECTION B: (15 marks per question. Choose any two)

QUESTION TWO

(15 marks)

- (a) You have been approached by your friend, Perpetua, who is running a small business with an enquiry; She would understand how international business environments of countries differ. With proper descriptions of each type of business environment, explain to Perpetua the three dimensions of international business environments. (6 marks)

- (b) Assume that you work for a *firm* that seeks to increase its activities in the markets within your continent. Your managing director has asked you for advice on an aspect that he is less knowledgeable in. Using relevant examples to explain concepts, advise him on the best approach that your firm would take, to enter a foreign market, in a county which has two other competitors doing a similar business like your *firm*'s. Give at least **one** advantage and **one** disadvantage of this approach. (4 marks)

- (c) In an extensive study that was published in a book entitled, "The competitive advantage of nations", Michael Porter concluded that four broad attributes of a nation shape the environment in which local firms compete, and these attributes promote or impede the creation of competitive advantage. Describe the **four** attributes advanced by Porter and give a conclusion of his analysis. (5 marks)

QUESTION THREE

(15 marks)

- (a) Countries within Africa, or in other continents have formed agreements amongst themselves in geographic regions to reduce tariff and non-tariff barriers to the free flow of goods, services, and factors of production between each other. Explain how the creation of a single market, through such economic integrations would offer significant opportunities; provide an example of such an integration in expounding on your case. (5 marks)

- (b) Foreign direct investment (FDI) refers to an investment in, or the acquisition of foreign assets with the intent to control and manage them. Discuss **two** factors that influence a company's decision to invest abroad. (4 marks)

- (c) The central importance of international trade for growth and development has been recognized since the days of Adam Smith and David Ricardo. Countries, like individuals, specialize in producing what they can do best. Explain **three** reasons why countries specialize. (6 marks)

QUESTION FOUR

(15 marks)

- (a) Multinational enterprises engage in a wide range of corporate social responsibilities (CSR) as a way of interacting with the society they do business with, while at the same time, adding value to the shareholders' investments.

Supporting your case with ways in which specific organizations (by name), in your country engage in CSR, and discuss **three** arguments you can put forward in support of CSR. (6 marks)

- (b) After discovering that one of her students tweeted foul language about her, Ms. Morgan confronted the teenager during a lesson on social media etiquette. Inquiring why the student would post such hurtful messages that could harm the teacher's reputation, the student replied that she was upset at the time. Ms. Morgan responded that she was very upset by the student's actions. Ms. Morgan demanded a public apology in front of the class, and the student apologized. The teacher later stated that she would not allow young pupils to call her those names. *This case study is on "Cyber Harassment."*

- i) Explain whether the student's and the teacher's behaviors were ethical or unethical

(3 marks)

- ii) In an analysis of such a case, factors like age and gender may be used to "excuse" unethical behavior (for instance in general expressions like, "Boys will be boys" or "She's too young/old to understand that what she did is wrong").

From a business perspective, based on class discussions, explain **three** factors that would be roots of unethical behavior among staff. (6 marks)

QUESTION FIVE

(15 marks)

- (a) International Human Resources Management (IHRM) is very critical for the success of a Multinational Enterprises (MNE). International business managers are concerned with the staffing of their home country and host country offices.

- i) Explain the challenges that confront an international business around IHRM (3 marks)

- ii) Giving at least **one** advantage of each, discuss any **two** approaches of staffing policy that international business firms can use to recruit their employees. (6 marks)

- (b) The legal system of a country refers to the rules, or laws, that regulate behavior along with the processes by which the laws are enforced and through which redress for grievances is obtained.

Explain **two** reasons why the legal system is important to international business. (4 marks)

- (c) Describe the balance of payment statement, clearly stating at least four accounts that are used in this statement. (2 marks)