



MACHAKOS UNIVERSITY
University Examinations for 2021/2022 Academic Year
SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF BUSINESS ADMINISTRATION
FOURTH YEAR SECOND SEMESTER EXAMINATION FOR
BACHELOR OF COMMERCE
BBA402: MANAGEMENT OF INTERNATIONAL BUSINESS

DATE:

TIME:

INSTRUCTIONS

- This paper consists of two sections
- Section A is compulsory (30 marks)
- Answer any two questions from section B (Each 20 marks)

SECTION A (COMPULSORY)

QUESTION ONE (30 MARKS)

Read the case study below and answer the questions that follow:

Mahindra & Mahindra (M & M) is a major player in the tractor and certain segments of the automobile market in India. After an impressive growth for a few years, the tractor market in India has been stagnating during 1998 to 2001.

M & M has been selling its tractors and utility vehicles in foreign markets including USA. Some of the components for its products have been sourced from abroad.

M & M has a 100 per cent subsidiary in USA, Mahindra USA, with a strong network of 100 dealers. It has a five per cent market share in the US market in the 20-30 horse power (HP) range.

As a part of the strategy aimed at building a global supply chain, Mahindra USA has signed a memorandum of understanding (MoU) with the Korean tractor major Tong Yang, a part of the \$ 2 billion Tong Yang Moolsam group, according to which Mahindra will source high horse power (mostly 25-40 hp range) and sell them around the world under the M & M brand name.

To start with, the premium range of tractors will be sold in the US. M & M's current tractor range is more utility-oriented and lacks the aesthetic appeal that Tong Yang's tractors have, a must for a strong presence in the US market.

- a) Explain **five** ways in which foreign market expansion will help M & M? (10 marks)
- b) Explain **three** ways in which the strategic alliance with Tong Yang will benefit M & M. (6 marks)
- c) Explain **three** possible risks of the alliance, offering a solution on how each risk can be minimized. (6 marks)
- d) Explain **three** major problem that could have driven the M & M to partner with Tong Yang. (6 marks)
- e) Explain the strategy that M & M could use to avoid the alliance. (2 marks)

QUESTION TWO (20 MARKS)

- a) There are so many barriers that a firm operating in the international market has to face some of which are government imposed. Explain **five** reasons why a government would impose barriers to business activities. (10 marks)
- b) As an international businessman, explain **five** factors you would consider when assessing the political environment of a nation. (10 marks)

QUESTION THREE (20 MARKS)

- a) Foreign Direct Investment is the most complete form of market entry strategy and the one which involves the highest risks, but enables the investor to retain control over its foreign operations. In **six** points, explain the impact that FDI has on global and international economies. (12 marks)
- b) Language is one of the elements of culture. Explain **four** roles of language in international business. (8 marks)

QUESTION FOUR (20 MARKS)

- a) Developing countries have greatly benefited from technology transfer, however, this has not been without challenges. Explain **five** ways how this transfer has affected the said countries. (10 marks)
- b) The likelihood that a firm will succeed when it competes in the international market is shaped by some aspects in its domestic market. Giving clear example, explain **five** of those aspects. (10 marks)

QUESTION FIVE (20 MARKS)

- a) The choice of an organizational structure affects the operations of a business. Giving clear examples, explain **five** factors that encourage decentralization of international businesses. (10 marks)
- b) Describe **five** types of e-commerce businesses. (10 marks)