

School of Business

Integrated Bachelor of Business Administration - Master of Business Administration
Semester End Examination - Jul 2024

Duration : 180 Minutes
Max Marks : 100

Sem IX - MSB21T2004 - International Business

General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) Define ownership advantage in Dunning Eclectic Theory K1(2)
- 2) Explain the key characteristics that define multinational corporations (MNCs) K2(4)
- 3) Explain how location advantages play a role in Dunning's theory of international production. K2(6)
- 4) Identify the challenges and complexities of navigating legal systems in different countries when conducting international business. How can companies mitigate these challenges and ensure legal compliance? K3(9)
- 5) Identify the challenges and complexities of navigating legal systems in different countries when conducting international business. How can companies mitigate these challenges and ensure legal compliance? K3(9)
- 6) Assess the role of multinational corporations in fostering technology diffusion, skill development, and job creation in developing countries, and assess the extent to which these contributions contribute to sustainable development. K5(10)
- 7) Examine the role of the Asian Development Bank (ADB) in supporting economic development and regional integration in Asia. Also explain the main areas of focus for the ADB. K4(12)
- 8) **Read the below case study and answer the question.** K5(15)
This case study explores the concept of absolute advantage in the context of two fictional countries, Agriland and Farmville, focusing on their agricultural sectors. Agriland excels in wheat and rice production due to its fertile land and climate, while Farmville holds an absolute advantage in growing coffee and cocoa. By recognizing their respective strengths, both countries engage in specialized production and international trade, resulting in increased efficiency, mutual benefits, and improved welfare. The scenario highlights how the principle of absolute advantage leads to optimal resource allocation. Agriland and Farmville specialize in the production of goods they can create with fewer resources, thereby maximizing their output. This specialization, driven by

absolute advantage, translates into efficiency gains and lower production costs for both countries. The trade scenario demonstrates the benefits of recognizing and leveraging absolute advantage. Agriland exports surplus wheat and rice to Farmville, while Farmville exports its excess coffee and cocoa to Agriland. This exchange allows each country to access goods it lacks in production at a lower cost, enhancing the overall well-being of their populations. Moreover, the case study emphasizes the long-term developmental potential of absolute advantage. Both Agriland and Farmville can invest in advancing their specialized sectors, fostering innovation, technological growth, and economic development. This continuous progress can attract foreign investment, generate employment opportunities, and contribute to their global trade competitiveness. In conclusion, the case study underscores the practical application and significance of absolute advantage in international trade theory. By capitalizing on their strengths and engaging in specialized production and trade, Agriland and Farmville achieve economic efficiency, consumer welfare improvement, and long-term development. The example of these two fictional countries showcases how the concept of absolute advantage remains a vital framework for understanding and optimizing international trade relationships.

Questions:

1. Explain the significance of international trade between Agriland and Farmville based on their respective absolute advantages.
2. Explain the contribution of the concept of absolute advantage to the long-term development prospects of Agriland and Farmville.
3. Explain the contribution of the principle of specialization to increased efficiency and production for both Agriland and Farmville.
4. Assess the central focus of the case study.

9) **Read the below case study and answer the question.**

K5(15)

Famous for its shocking advertisements Benetton started in 1955 as a small business. Luciano Benetton and his family started by selling colored sweaters door to door in Treviso, Italy. Over time a regional network of family, friends and agents set up a closely monitored set of distinctive retail outlets. Over a 15-year period Benetton built up 300 affiliated but independently owned outlets in Italy and a factory with new methods to dye and condition wool. Benetton was not directly involved in the retail outlets, who received high quality products at low costs. Part of the manufacturing savings are realized by outsourcing to neighbouring subcontractors. Today Benetton has kept this loose network of independent production subcontractors and distribution agents but has now built up to a global network of over 7,000 retail stores. Of these, Benetton owns only about 50 flagship stores and the great majority are operated by independent entrepreneurs. Over 80 per cent of production still takes place in Italy and the company is still 72 per cent owned by the Benetton family. Benetton is one of those successful global companies that was partly successful because its production and design concept was built on a strong home base. It then expanded the marketing end of its business through closely monitored (but not owned) independent stores. These were able to

use the Benetton brand name and distinctive colours and were supported by clever international advertising. Benetton does not advertise its clothes directly. Rather its advertisements are for a “lifestyle”. The “United Colors of Benetton” ads are designed for a homogeneous global consumer interested in fast cars and a fast lifestyle. Benetton goes in for cutting-edge advertising that grabs public attention. This creates an image of new-age awareness, as Benetton advertising has featured Formula 1 cars, AIDS, high art, and “attitude”. Benetton does not advertise its clothes directly. Rather its advertisements are for a “lifestyle”. The “United Colors of Benetton” ads are designed for a homogeneous global consumer interested in fast cars and a fast lifestyle. Benetton goes in for cutting-edge advertising that grabs public attention. This creates an image of new-age awareness, as Benetton advertising has featured Formula 1 cars, AIDS, high art, and “attitude”. How well this plays out globally is uncertain. For example, in 1988 Benetton had 700 retail stores in the US but by 1995 it only had 150. Is this because Benetton has too European an image to succeed in middle America? How can an Italian family firm understand the American lifestyle from its European bases?

Questions

- 1) Is Benetton a multinational enterprise? Justify
 - 2) Determine the country-specific factors that have helped Benetton be a success.
 - 3) Explain the Benetton’s firm-specific advantages.
- 10) "Investigate Adam Smith's theory of absolute advantage in international trade. Discuss how this theory explains the benefits of specialization and trade between countries. Elaborate the concept of labor productivity and its role in determining a nation's ability to produce goods more efficiently. Provide real-world examples to illustrate the application of absolute advantage and its implications for global economic interactions."

K6(18)