

05610

MANAGEMENT PROGRAMME

Term-End Examination

December, 2012

MS-97 : INTERNATIONAL BUSINESS

Time: 3 hours

Maximum Marks : 100

(Weightage 70%)

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Note : There are two Sections A and B. Attempt any three questions from Section A which carry 20 marks each. Section B is compulsory and carries 40 marks.

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SECTION - A

1. (a) What are the determinants of international investment decisions ? What are the various strategies that a firm could follow ?  
(b) Discuss the various dimensions of international business and analyse the importance of international business in the world economy.
  
2. (a) What is meant by intra-firm trade ? In what ways does this affect the host country ?  
(b) Critically examine the various approaches to controlling the international business.

3.
  - (a) What are the main characteristics of a global firm ?
  - (b) **Discuss the innovative production techniques used by international firms to face global competition.**
  
4. Discuss the stages in cross-cultural negotiation process, citing relevant examples.
  
5. Explain the following :
  - (a) Ricardo's Comparative Cost Theory.
  - (b) **International Code on Transfer of Technology.**

## SECTION - B

Read the following case study and answer the questions given at the end.

### A GLOBAL PLAYER?

This is one game that India has permanently lost to its arch-rival Pakistan- manufacturing and exporting sports goods. Historically, when India and Pakistan were one before 1947, Sialkot, now in Pakistan, used to be the world's largest production centre for badminton, hockey, football, volleyball, basketball, and cricket equipment. After the creation of Pakistan, Jalandhar became the second centre after Hindus in the trade migrated to India. Soon Jalandhar overtook Sialkot and till the early 1980s it remained so. However, when the face of the trade began to change in the 1980 s and import of quality leather and manufacturing equipment became a necessity for quality production, Pakistan wrested the initiative as India clung to its policies of discouraging imports through high duties and restrictions. As it was, the availability of labour and skills was a common factor in both Sialkot and Jalandhar, but with Sialkot having the advantage of easier entry, most of the world's top sports manufacturers and procurers developed an association with local industry in Sialkot that continues even today. Ten years later, in the early 1990s, when Manmohan Singh liberalised the norms for importing equipment and raw material

required for producing sports goods, it was too late as majority of the global majors had already shifted base to Sialkot.

In 1961 the late Narinder Mayor started the first large-scale sports goods manufacturing unit, **Mayor and Company**, thereby laying the foundation of an organised industry. Even today, more than 70 percent of the industry functions in an unorganised manner. Starting with soccer balls, Mayor expanded to produce inflatable balls like volleyballs, basketballs, and rugby balls. Today his two sons Rajan and Rajesh have built it up into five companies engaged in a wide array of businesses, though sports goods remain the group's core business. While the parent trading company, Mayor and Company remains the leading revenue-earner to the tune of Rs.55 crore annually out of a total group turnover of Rs. 85 crore-plus, Mayor's second venture, the Indo-Australian Mayor International Limited, is spinning another Rs. 15 crore. **Mayor International** is a 100 percent export-oriented unit (EOU) exclusively manufacturing and exporting golf and tennis balls.

The product portfolio of the company comprises the following:

**Inflatable Balls**

- Soccer balls and footballs (Professional, Indoor, Match and Training, leisure toy)  
Volley balls, rugby balls (Volley balls and Beach Volley Balls)

- Australian rugby, hand balls (English League, Union and touch) (Australian rules, Australian Rugby League balls with laces)

### **Boxing Equipment**

- Boxing and punching balls (Boxing and Punching Balls, Head Gear, Gloves, Punching Mitts and Kits Punching Bags and Bag Sets)
- Gloves
- Goal keeper's gloves (Football/Soccer)
- Boxing gloves

### **Cricket Equipment**

- Worldwide distributor for Spading Cricket Bats, Balls and Protective equipment.

### **Hockey Equipment**

- Worldwide distributor for Spading Hockey Sticks, Balls and Protective equipment.

Based in Delhi, Rajan Mayor, 41 is the CMD of the group, which also comprises an IT division working on B2B and B2C solutions; Voyageur world Travels in the tourism sector; a houseware exports division specialising in stainless steel kitchenware, ceramics, and textiles; and a high school. Younger brother Rajesh, 34, is the executive director and looks after all the divisions operating in Jalandhar. Technical director Katz Nowaskowski divides his time equally between India and Australia, where he looks after the group's interests. "While inflatable balls are our

prime competence in our core business, we are presently focussing on golf balls, for which we are the sole producers in South Asia. Out of a total Rs. 300 crore of sports goods business generated in domestic market, most of which is supplied by the unorganised players, golf balls constitute a miniscule amount and therefore we came up with a 100 percent EOU for producing golf balls. Later the same facility was utilised with little moderation for tennis balls too," says Nowaskowaski. Clarifying that the sports good industry in India only includes playing equipment and not apparels or shoes, D.K. Mittal, chairman of the Sports Goods Export Promotion Council and joint secretary in the Ministry of Commerce, has certified Mayor group as the number one exporter since 1993 till date, barring 1996.

Coca-Cola, Unilever, McDonald's, American Airlines, Disney club, and other such big brands come up with huge orders at times for golf balls with their logos for promotional schemes. However, there is no mention of the producing country since these companies do not want to show that balls they deliver in the US are being produced in Asia, "Not only is our quality good enough; labour in India is cheap enough to churn out a much less expensive product in the end. Yet, the main threat to our industry comes from countries like Taiwan and China, who have already cornered a chunk of world markets in tennis, badminton, and squash

rackets. This is primarily because of two reasons-- slow response to our needs in tune with the market requirements from the government and lack of infrastructure. And most importantly, tags 'Made in China' or 'Made in Taiwan' are more acceptable in the West than 'Made in India' or 'Made in Pakistan'. One of the mottos of the Mayor group has been to make 'Made in India' an acceptable label in the West. For that we stress quality, timely delivery and competent rates. Yet, a lot depends on perception value, which in our case is sadly on the negative side, much owing to our government's stance over the years. Things might be improving, but the pace is very slow and as our economy drifts towards a free market scenario supinely, it might just prove to be too little too late in the end," says Rajesh.

Today, Mayor group is sitting pretty as its competitors, Soccer International Sakay Trades, Savi, Wasan, Cosco, Nivia, and Spartan are only trying to catch up in the inflatables category. With 1.2 million dozen golf balls, Mayor is way ahead of its competitors. The company is planning to enhance its manufacturing capacity to 1.5 million dozen golf balls next fiscal. With approval from the world's two top golf associations-- the US PGA and RNA of Scotland, demand for its product is not a problem, the company's senior marketing officials point out. With the markets in Mayor's current export destinations-- Europe, North America, Australia, and New Zealand-- all set to

expand in the coming years after the present slump, Mayor wants to expand its sports goods business that caters to 60 percent of its overall exports. Though 40 percent of exports come from houseware manufactured in Delhi and Mumbai, with export centres in the same countries for its sports goods, just about maintaining this business at its present state, and concentrating entirely on sports goods is what the Mayors are intent on.

With nearly 2000 skilled workforce; quality certification from ISO 9001 : 2000 and ISO 14001: 2004, and having spread to more than 40 countries, Mayor and Company is obviously sitting pretty.

### Questions

- (a) What routes of globalisation has the Mayor group chosen to go global ? What other routes could it have taken ?
  - (b) What impediments are coming in the Mayor group's way of becoming a major and active player in International business ?
  - (c) Why is 'Made in India' not liked in foreign markets ? What can be done to erase the perception ?
  - (d) Who are the major competing players for Mayor and What measures can be taken to offset the competition by Mayor International ?
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