

December 2012

Master of Business Administration (MBA) Examination

IV Semester

## Corporate Governance & Global Business Environment

Time : 3 Hours ]

[ Max. Marks : 80

**Note:** Attempt any four questions from Section A. Each question carries 15 marks in this section. Section B is compulsory and carries 20 marks.

### Section- A

1. What is Corporate Governance ? What are the main principles of Corporate Governance? Also explain the contemporary global practices of Corporate Governance.
2. Discuss main theories of International Business. Critically evaluate recent trends and main drives of International Trade.
3. What do you understand by Technological Environment ? Explain the significance of Technological Environment.
4. Describe the current developments in the field of International Financial Management.
5. Define Corporate Social Responsibility. Why CSR is needed ? Justify. Describe the scope of Corporate Social Responsibility.
6. Explain the concept of Environmental Concerns of Corporations. Describe the role of corporations in Environmental Management.
7. Write short notes on any two of the following :
  - (a) E-Business
  - (b) World Trade Organization
  - (c) Foreign Direct Investment
  - (d) Monitoring of Environmental Changes.

### Section- B

8. Analyze the case and answer the questions given at the end of the case :

#### WHICH COMPANY IS TRANSNATIONAL ?

Four senior executives of companies operating in many countries speak:

#### COMPANY A

We are a transnational company. We sell our products in over 80 countries, and we manufacture in 14 countries. Our overseas subsidiaries manage our business in their respective countries. They have complete responsibility for their country operations including strategy formulation. Most of the key executives in our subsidiaries are host-country nationals, although we still rely on home-Country persons for the CEO and often the CFO (chief financial officer) slots. Recently, we have divided the world into world regions and the United States. Each of the world regions re-

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ports to our world trade organization, which is responsible for all of our business outside the United States.

The overseas companies are responsible for adapting to the unique market preferences that exist in their country or region and are quite autonomous. We are proud of our international reach : We manufacture not only in the United States but also in Europe and the United Kingdom, Latin America, and Australia.

We have done very well in overseas markets, especially in the high-income countries with the exception of Japan. We would like to enter the Japanese market, but let's face it, Japan is a protected country. There is no level playing field, and as you no doubt know, the Japanese have taken advantage of the protection they enjoy in their home country to launch an export drive that has been a curse for us. Our industry and our home country (the United States) has been a principal target of the Japanese, who have taken a real bite out of our market share here in the United States. We are currently lobbying for more protection from Japanese competition.

### COMPANY B

We are a unique transnational media company. We do not dominate any particular area, but we have an important presence on three continents in magazines, newspapers, and television. We have a global strategy. We are a global communications and entertainment company. We're in the business of informing people around the world on the widest possible basis. We know how to serve the needs of our customers who are readers, viewers, and advertisers. We transfer people and money across national boundaries, and we know how to acquire and integrate properties as well as how to start up a new business. We started out as Australian, and then the weight of our effort shifted to the United Kingdom and today our main effort is in the United States. We go where the opportunity is because we are market driven.

Sure, there are lots of Australians in the top management of this company, but we started in Australia, and those Aussies know our business and the company from the ground up. Look around and you'll see more and more Americans and Brits taking the top jobs. We stick to English because I don't believe that we could really succeed in foreign print or broadcast. We know English, and so far the English-speaking world is big enough for us. The world is shrinking faster than we all realize, and to be in communications is to be at the center of all change. That's the excitement of what we're doing -and also the importance.

### COMPANY C

We're a transnational company. We are committed to being the number-one company in our industry worldwide. We do all of our manufacturing in our home country because we have been able to achieve the lowest cost and the highest quality in the world by keeping all engineering and manufacturing in one location. The constantly rising value of our

home currency is forcing us to invest in overseas manufacturing in order to maintain our cost advantage. We are doing this reluctantly but we believe that the essence of being global is dominating markets and we plan to do whatever we must do in order to maintain our position of leadership.

It is true that all of our senior managers at home and in most of our foreign market are home-country nationals. We feel more comfortable with our own nationals in key jobs because they speak our language and they understand the history and the culture of our company and our country. It would be difficult for an outsider to have this knowledge, which is so important to smooth-working relationships.

### COMPANY D

We are a transnational company. We have 24 nationalities represented on our headquarters staff, we manufacture in 28 countries, we market in 92 countries, and we are committed to leadership in our industry. It is true that we are backing off on our commitment to develop business in the Third World. We have found it extremely difficult to increase sales and earnings in the Third World, and we have been criticized for our aggressive marketing in these countries. It is also true that only home-country nationals may own voting shares in our company. So, even though we are global, we do have a home and a history and we respect the traditions and sensibilities of our home country.

We want to maintain our number-one position in Europe, and over time achieve the same position of leadership in our target markets in North America and Japan. We are also keeping a close eye on the developing countries of the world, and whenever we see a country making the move from low income to lower middle, or from lower middle to upper middle, or from upper middle to high income we commit our best effort to expand our positions, or, if we don't have a position, to establish a position. Since our objective is to achieve an undisputed leadership position in our industry, we simply cannot afford not to be in every growing market in the world.

We have always had a European CEO, and this will probably not change. The executives in this company from Europe tend to serve all over the world, whereas the executives from the United States and Japan serve only in their home countries. They are very able and valuable executives, but they lack the necessary perspective of the world required for the top jobs here at headquarters.

### Discussion Questions:

1. Which company is transnational?
2. What are the attributes of a transnational company?
3. What is the difference between a domestic, international, multinational, global and transnational company?
4. At what stage of development is your company and your line of business today? Where should you be?

