

August 2015

Master of Business Administration (MBA) Examination
IV Semester

Corporate Governance and Global Business Environment

Time : 3 Hours]

[Max. Marks : 80

Note : Attempt any four questions from Section A. Each questions carries 15 marks. Section B is compulsory and carries 20 marks.

Section A

1. What are the principles and main drives of corporate governance ? Explain.
2. Explain any two International Business Theories. Also explain their relevance in today's business.
3. Describe how various environments of International Business affects International Trade ?
4. Do companies exercise corporate social responsibility ? If yes how ? If no, why ?
5. How do International Strategic alliance take place ? Explain with examples.
6. Write notes on :
(a) Forex Markets
(b) International HRM.

Section B

7. Analyse the case and answer the questions.

WAL-MART'S GLOBAL EXPANSION

Wal-Mart was established in Arkansas in USA in 1962 by Sam Walton. Today, it is America's biggest retailer, and in fact the largest retailer in the world. It differentiated itself from the competition through its HR practices, and efficient distribution system. Employees at Wal-Mart were called associates, and were asked to participate in decision making at each level. Also, Wal-Mart was one of the first companies to set up an effective information system that vastly improved their inventory management and distribution and supply capabilities.

In 1990, Wal-Mart realized that the American Market would soon be saturated, and opportunities for growth were getting extremely limited.

As American Companies wish to register double digit growth rates, and this was no longer possible in the USA, Wal-Mart decided to expand its operations to the global scene. Although critics said that Wal-Mart was too American a company to be effective anywhere else, their words were ignored as Wal-Mart opened stores in Mexico.

In Mexico, the Wal-Mart stores ran into problems, due to the following reasons :

- (A) Wal-Mart managers anticipated good roads and infrastructure, which were not available. Hence, Wal-Mart's famed delivery service could not be replicated.
- (B) Local suppliers could not match the service of suppliers in America, and delivery times and standards were not met.
- (C) The stores originally kept merchandise that was relevant for the American Market, but would not appeal to anyone in Mexico, such as ice-stakes, lawn mowers, etc.

After considerable time and effort, the situation in Mexico was rectified, through the following, and is now a jewel in Wal-Mart's crown.

- (I) Wal-Mart developed a partnership with a Mexican Trucking Company, to help improve their delivery times and inventory management.
- (II) Wal-Mart stores began stocking goods suited to Mexican taste.
- (III) Wal-Mart's suppliers began to build factories in areas around Wal-Mart stores and distribution centres, and this led to greater efficiency in the distribution network.

Having learned from the Mexican experience that it could compete outside USA, Wal-Mart decided to continue the expansion programme, and opened branches in Japan, Germany, Canada, Britain and South Korea. By 2002, the company had 1200 stores outside US, and generated revenues of \$35 billion from overseas sales.

There were several reasons for Wal-Mart's international success, including :

- (i) Liberalization of foreign economies and removal of barriers to cross-border trade.
- (ii) The increased bargaining power that Wal-Mart now had over its; global suppliers.
- (iii) Advances in Information Systems, and internet-based software that allowed Wal-Mart to exercise control over its global operations, in terms of pricing inventory and profit data.

Wal-Mart realized that its international competitors would steal a march on it if it did not expand global. Carrefour, the second largest retailer in the world, is much more a global player than Wal-Mart is, with 50% of its sales generated outside France, its home country. (Wal-Mart generates just 17% of its sales from the international operations.)

The global retailing market is still greatly fragmented, with the top 25 retailers controlling just 18% of worldwide sales. Forecasts suggest an international consolidation is due, with Latin America, South East Asia and Eastern Europe being the battlegrounds.

Questions :

1. Why did Wal-Mart expand globally instead of focusing in USA ?
2. Do you think that the globalization wave has helped Wal-Mart for entry into other countries?

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