**B.COM (PROG.)**

**SEMESTER- VI**

**SUBJECT-INTERNATIONAL BUSINESS**

# PRACTICE QUESTIONS

**PREPARED BY: Dr. Anubha**

**Ms.Harmanpreet Kaur**

1. International business environment is very uncertain, then why do companies want to engage in international business?
2. Explain the internationalisation stages and modes of entry into international business.
3. "Cultural differences, is one of the most difficult problems in international marketing." Comment with suitable examples and case study
4. Describe the basic premise of Factor Endowment theory. How is it different from the premise of Ricardian theory?
5. Explain the difference between Absolute Advantage and Comparative Advantage. How has the theory of Absolute Advantage been evolved?
6. You are a marketing manager of a textile company that is looking to venture into international business. The country you want to target first is the UK. You want to start by exporting to UK. What environmental factors would you keep in mind and how would you analyse the business environment of the UK?
7. Discuss the famous McDonald's case where the multinational company failed to understand the culture of India and thus failed initially, before bouncing back.
8. How does the technological environment of India differ from that of Japan?
9. 'Think global, act local' how far this argument true? Explain.
10. Explain the term 'Globalisation'. Why do companies engage in international business? Discuss the role of globalisation in development of Indian business
11. Describe the structure of WTO in detail. Also state the functions of the WTO. What is dumping? What is WTO's stand on dumping?
12. Explain the concept of 'Most Favoured Nation' with the help of suitable examples.
13. Discuss the economic and functional cooperation of ASEAN nations. Explain the role of India in ASEAN
14. Why was IMF established? Mention the current activities of the IMF.
15. Discuss the reason for establishment of World Bank. How does it operate? Also explain the major areas of work of the organisations under the World Bank.

16. Find out IMF's and World Bank's major contributions in the development of the Indian economy.
17. Describe the organisation of World Bank, activities.
18. Debate the relative merits of fixed and floating exchange rate regimes. From the perspective of an international business, what are the most important criteria in a choice between the systems'? Which system is the more desirable for an international business?
19. You are the international manager of a U.S. business that has just developed a revolutionary new laptop that can perform the same functions as existing laptops' but costs only half as much to manufacture. Several patents protect the unique design of this laptop. Your CEO has asked to formulate a recommendation for how to expand into Western Europe. Your options are (a) to export from United States, (b) to license a European firm to manufacture and market computer in Europe, or (c) to set up wholly owned subsidiary in Europe. Evaluate the pros and cons of each alternative, and suggest a course of action to your CEO.
20. What are the strengths of eclectic theory of FDI? Can you see any shortcomings? How does the eclectic theory influence management practice?
21. You are a CFO of an Indian firm whose wholly owned subsidiary in U.S. manufactures component parts for your Indian assembly operations. The subsidiary has been financed by bank borrowings in India. One of your analyst told you that U.S. dollar is expected to depreciate by 20 percent against the Indian Rupee (INR) on the foreign exchange markets over the next year. What actions, if any, should you take?
22. If a firm is changings its strategy from an international to a transnational strategy, what are the most important challenges it is likely to face in implementing this change? How the firm can overcome these challenges?
23. A firm must decide whether to make a component part in-house or to contract it out to an independent supplier. The manufacturing of that component requires investment in specialized machine which is non-recoverable. On the other hand, the most efficient suppliers are located in countries with currencies that are expected to appreciate considerably over next decade. What are the pros and cons of (a) manufacturing the component in-house and (b) outsourcing manufacturing to an independent supplier? What option would you recommend? Why?

24. Explain how the global supply chain functions of (a) logistics and (b) purchasing can be used to strategically leverage the global supply chains for a manufacturing company producing mobile phones.
25. You are the marketing manager of a food products company that is considering entering the Indian market. The retail system in India tends to be very fragmented. Also, retailers and wholesalers tend to have long-term ties with Indian food companies; these ties make access to distribution channels difficult. What distribution strategy would you advise the company to pursue? Why?
26. What are the main advantages and disadvantages of the ethnocentric, polycentric, and geocentric approaches to staffing policy? When is each approach appropriate?
27. Research suggests that many expatriate employees encounter problems that limit both their effectiveness in a foreign posting and their contribution to the company when they return home. What are the main causes and consequences of these problems, and how might a firm reduce the occurrence of such problems?
28. A small Indian firm that has developed valuable new medical products using its unique biotechnology know-how is trying to decide how best to serve the U.S. market. Its choices are given below. The cost of investment in manufacturing facilities will be a major one for the Indian firm, but it is not outside its reach. If these are the firm's only options, which one would you advise it to choose? Why?
    (a) Manufacture the products at home and let foreign sales agents handle marketing.
    (b) Manufacture the products at home and set up a wholly owned subsidiary in U.S. to handle marketing.
    (c) Enter into an alliance with a large U.S. pharmaceutical firm. The products would be manufactured in U.S. by the 50/50 joint venture and marketed by the U.S. firm.
29. What are the different functions of foreign exchange market? Distinguish between foreign exchange risk and foreign exchange exposure?
30. Give brief account of foreign exchange risks. How are these risks managed?
31. Briefly explain the evolution of international monetary system from Bretton Woods's era till the present.
32. Distinguish between balance of trade and balance of payments account. Briefly explain the reasons for adverse balance of payments situation in India.
33. What is e-commerce? Briefly enumerate factors responsible for the growth of e-commerce in last few decades.

34. Briefly discuss international initiatives to combat the effects of environmental change caused by globalization.
35. What is the role of outsourcing in India's International business? What are the challenges faced by the Indian BPO-ITES industry?

**CASE STUDIES**

## CASE STUDY 1: Making the Apple iPhone

In its early days, Apple usually didn't look beyond its own backyard to manufacture its devices. A few years after Apple started to make the Macintosh computer back in 1983, the late Steve Jobs bragged that it was "a machine that was made in America." As late as the early 2000s, Apple still manufactured many of its computers at the company's iMac plant in Elk Grove, California. Jobs often said that he was as proud of Apple's manufacturing plants as he was of the devices themselves.

By 2004, however, Apple had largely turned to foreign manufacturing. The shift to manufacturing reached its peak with the iconic iPhone, which Apple first introduced in 2007. All iPhones contain hundreds of parts, an estimated 90 percent of which are manufactured abroad. Advanced, semiconductors come from Germany and Taiwan, memory from Korea and Japan, display panels and circuitry from Korea and Taiwan, chip sets from Europe, and rare metals from Africa and Asia. Apple's major subcontractor, the Taiwanese multinational firm Foxconn, performs final assembly in China.

Apple still employs some 43,000 people in the United States, and it has kept important activities at home, including product design, software engineering, and marketing. Furthermore, Apple claims that its business supports another 254,000 jobs in the United States in engineering, manufacturing and transportation. For example, the glass for the iPhone is manufactured at Corning's U.S. plants in Kentucky and New York. But an additional 700,000 people are involved in the engineering, building, and assembly of its products outside the United States, and most of them work at subcontractors like Foxconn.

When explaining its decision to assemble the iPhone in China, Apple cites a number of factors. While it is true that labor costs are much lower in China, Apple executives point out that labor costs account for only a very small proportion of the total value of its products and are not the main driver of location decisions. Far more important, according to Apple, is the ability of its Chinese subcontractors, to respond very quickly to requests from Apple to scale production up and down. In a famous illustration of this capability, back in 2007 Jobs demanded that a glass screen replace the plastic screen on his prototype iPhone. He didn't like the look and feel of plastic screens, which at the time were standard in the industry, nor did he like the way they scratched easily. 'This last-minute change in the design of the iPhone put Apple's market introduction date at risk. Apple had selected Corning to manufacture large panes of strengthened glass, but finding a manufacturer that could cut those panes into millions of iPhone screens wasn't easy. Then a bid arrived from a Chinese factory. When the Apple team visited the factory, they found that the plant's owners were already constructing a new wing to cut the glass and installing equipment. "This is in case you give us the contract," the manager said. The plant also had a warehouse full of glass samples for Apple, and a team of engineers available to work with Apple. It had built onsite dormitories so that the factory could run three shifts seven days a week in order to meet Apple's demanding production schedule. The Chinese company got the bid.

Another critical advantage of China for Apple was that it was much easier to hire engineers there. Apple calculated that about 8,700 industrial engineers were needed to oversee and guide the 200,000 assembly-line workers involved in manufacturing the Phone. The company had estimated that it would take as long as nine months to find that many engineers in the United States, In China it took 15 days.

Also important is the clustering together of factories in China, Many of the factories providing components for the iPhone are located close to Foxconn's assembly plant. As one executive noted. "The entire supply chain is in China, You need a thousand rubber gaskets? That's the factory next door. You need a millinery screws? That factory is a block away. You need a screw made a little bit differently? That will take three hours."

All this being said, there are drawbacks to outsourcing to China. Several of Apple's subcontractors have been targeted for their poor working conditions. Criticisms include low pay of line workers, long working hours, mandatory overtime for little or no additional pay, and poor safety records. Some former Apple executives say that there is an unresolved tension within the company; executives want to improve working conditions within the factories of sub-contractors such as Foxconn but that dedication falters when it conflicts with crucial supplier relationships or the fast delivery of new products.

*Case taken from: International Business, Eleventh Edition (McGraw Hill 2019), by Charles W.L. Hill, G. tomas M. Hult, Rohit Mehtani*

**Case Discussion Questions**

1. What are the benefits to Apple of outsourcing the assembly of the iPhone to foreign countries, particularly China? What are the potential costs and risks to Apple?

2. In addition to Apple, who else benefits from Apple's decision to outsource assembly to China? Who are the potential losers here?

3. What are the potential ethical problems associated with outsourcing assembly jobs to Foxconn in China? How might Apple deal with these?

## CASE STUDY 2: FDI Bonanza in China

Case taken from The International Business Environment, second edition (Palgrave, 2006), by Janet Morrison.

China has become the new workshop of the world, its factories churning out consumer goods for both domestic consumption and export. Its own growing middle class is a huge market in itself, but more important are growing export markets, in which Chinese production costs undercut virtually all rival locations. Inflows of FDI reached a record $52.7bn. in 2002, followed by $53.5bn. in 2003. This has been a key factor in China's success and low-cost labour has been the chief attraction for foreign investors. The opening of the economy began in 1979, when China's Communist Party rulers introduced economic liberalization policies which were to gradually reduce state ownership and control. These reforms paved the way for outside investors to enter China through joint ventures with local companies. Foreign ownership restrictions have been further relaxed in recent years, and, combined with WTO membership in 2002, China's attraction for foreign investors has continued to rise. As the figure shows, inward FDI stock has rapidly risen from virtually nil in 1980 to 35.6 per cent of GDP in 2003. Labour costs have risen in other Southeast Asian economies, including Taiwan and South Korea, and these economies have consequently lost out to China as a manufacturing location, where the cost of unskilled labour undercuts all but Indonesia, Vietnam and Cambodia. FDI has concentrated in the southern coastal area of the Pearl River delta, which has seen booming industrialization, made possible by a seemingly endless supplies of workers. In this area, approximately the size of Belgium, 30 million people work in manufacturing, producing a vast range of products from shoes to computers. The area is home to 800 shoe manufacturers. One of the largest, the Taiwanese company Pou Chen, employs a total of 110,000 workers, 80,000 in one factory, producing 100 million pairs of shoes a year for brands including Nike, Adidas, Timberland and Reebok. It is estimated that 80 per cent of the stock of FDI in China is held by overseas Chinese investors, mainly from Hong Kong, Taiwan and Singapore (Story, 2003). These investors have seized the opportunities presented by liberalization, and their Chinese cultural heritage gives them an advantage over other foreign investors. Dr Martens, the British shoe manufacturer, concluded in 2003 that it could not compete unless it, too, shifted production to China. Dr Martens was paying workers $490 per week in its factory in the UK, where assembly of whole shoes was carried out by small groups of workers. By contrast, mass production techniques are used in the massive Pou Chen factories, where workers earn about $96 (£59; a89) a month for a 69-hour week. High-tech industries are also flourishing. Flextronics, a Singapore-based electronics manufacturer, is a contract producer for Microsoft, Motorola, Dell and Sony Ericsson. The output of its factory near Zhuhai rose 500 per cent from 2001 to 2002. Ricoh, the Japanese electronics company, makes most of its photocopiers in the Shenzhen special economic zone, which claims to make 70 per cent of the world's photocopiers. While it used to make all its newer models in Japan, Ricoh now uses the Chinese factory to manufacture models only months after they begin production in Japan.  Whether FDI flows will continue to rise is a question which concerns both Chinese policymakers and foreign investors. Labour costs are inevitably rising. More highly skilled work in technology-based industries lures workers away from the likes of the shoe factories, which find it hard to retain workers. A solution adopted by Pou Chen is to build factories further inland, where labour is in abundant supply. One manufacturer explains: 'If we run out of people, we just go deeper into China' (Roberts and Kynge, 2003). It is estimated that there is a pool of some 200 million rural inhabitants who are underemployed: while they are a source of labour for manufacturing expansion, they are also a potential source of social unrest, should economic growth falter. Jobs provided by the continued manufacturing boom would bring economic development to these poorer areas. On the other hand, China's economic liberalization has not been paralleled by political liberalization. The long-term economic prosperity of its people will require its political and social institutions to adapt to the rapidly changing environment.

Sources: Kynge, J. 'An industrial powerhouse emerges by the waterfront', Financial Times, 23 January 2003; Roberts, D. and Kynge, J. 'How cheap labour, foreign investment and rapid industrialization are creating a new workshop of the world', Financial Times, 4 February 2003; Story, J. (2003) China: the Race to Market (Harlow: FT Prentice Hall); United Nations (2004) World Investment Report 2004 (Geneva: UN).

**Case questions**

**What are the factors in China's FDI boom?**

**How likely is it to continue?**

Briefing on the national business environment in China can be found on the World Bank's website at http://www.worldbank.org/en/country/china  @The Office of the US Trade Representative, at http://www.ustr.gov , also provides briefing documents on national investment climate.

**Case study 3:  Pepsi Goes International – Its Global Marketing Plans**

In the 1940's itself PepsiCo started branching out into the international arena. At first it was into Latin America, the Middle East and the Philippines. Here too Coke had the early bird advantage. Yet the product soon gained popularity. With the Arab countries boycotting Coke, Pepsi enjoyed a monopoly for many years in the Middle East. In the 1950's Pepsi went to Europe and this included Russia, with whom there existed a Cold War by USA.

Though there were initial difficulties, getting into Russia was a major breakthrough which the company exploited. The company posted pictures of the then leaders of the United States and Russia sipping the drink. Its arch rival, Coca Cola, was able to enter the Russian markets only after more than 25 years after Pepsi's entry.

In many of the countries that Pepsi ventured into comparative advertising was prohibited and in many countries it was not an accepted concept. For example, Pepsi tried its "Pepsi challenge" promotional gimmick in Japan. However, the country and its people were not aware of comparative advertising and as such the campaign did more harm than good. Hence in Japan they had to break their tradition of running with the global campaign and come up with a campaign that the Japanese would identify with and was more Japanese. The "Pepsiman" was a superhero like figure that was devised by a Japanese person for the Japanese market. The commercial was an instant hit and helped improve Pepsi's share in the Japanese market by as much as 14%. From Japan Pepsi learned a valuable lesson – the same ad will not have the same effect everywhere. When it comes to cross national advertising, there is always the inherent risk of alienating the people.

**Question :** what challenges Pepsi had to face, If Pepsi would not follow the cultural factors in international marketing environment?

**Case 4 – Cultural diversity in International Business**

**Cultural conditioning is like an iceberg – we are not aware of nine-tenths of it.** Misunderstandings may occur in the evaluation of the appropriateness of a domestically designed marketing mix for a foreign market: "Esso", the brand name of a gasoline, was a successful name in the United States and would seem harmless enough for a foreign country; however, in Japan, the name phonetically means "stalled car", an undesirable image for gasoline. "Pet milk" is widely sold in U.S, but in France the word pet means, among other things, flatulence – again, not the desired image for canned milk. In U.S culture, a person's SRC would not reveal a problem with either Esso or Pet, but in international marketing relying on one's SRC could produce an inadequately adapted marketing program that ends in failure.

**Question : What do you think, what kind of measures these companies should have followed?**

## Case 5. CASE STUDY: SWOT ANALYSIS OF APPLE INC

SWOT analysis is basically an analysis of company or organisation's strengths, weaknesses, opportunities and threats. Here is a case study of Apple Inc. on SWOT analysis.

Apple had launched its new phone iPhone 7 in an event. It has also expanded its business boundary by launching Apple watch, and Bluetooth headphones, also known as AirPod. Apple's Strengths

iPhones have created a unique brand identity for themselves. People are willingly ready to spend lakhs in the name of iPhone. The logo of Apple is a symbol of status these days. Moreover, Apple's product design is artistic, yet simple, rich and royal and creative too. Apple has customer faith and its brand value has worldwide recognition. Its brand value is so high that most of the Apple's products are often pre-ordered worldwide. Moreover, Apple utilises its image to sell a way of life of imagination, extravagance and smoothness. This is how it advertises its items: Not as a straightforward contraption, yet as a route into its designed and planned world. This is why, its revenues and, subsequently, its profit margin are too high in products like Mac Laptop, iPhone, iPad, etc.

### Apple's Weaknesses

One of the greatest weaknesses of Apple is its high prices of products. Although its prices are high, but it restricts its buyers from upper middle class to high class. Usually, a PC can be bought for $200. On the contrary, Apple's Mac laptop costs around $1100-$1200+. If offered at a sale price, the sales reduce the price of the product by only $50-$100. Only the students are able to get the laptops at discounted prices. If we take globally, then there are a number of lower-class people who couldn't afford to buy Apple products. Apple ignores this class of customers. We can say that this is a great weakness of Apple Inc.

### Apple's Opportunities

Apple has witnesses a potential advantage in teaming up with various solid and existing brands identified with its commercial centre. With its new AirPods, it has collaborated with Beats earphones to present the new remote Beats X close by its iPhone 7. Moreover, Nintendo is bringing another amusement, Mario Run, to iPhone

— consolidating the Apple name with the notable diversion face of Nintendo. This is another incredible brand which could get gigantic numbers from its numerous fans all over the world.

Apple's present advancement can be derided, criticised or cheered. In any case, the business openings from working together with other expansive brands over the world will profit the Apple brand monstrously, insofar as it keeps on building up these business connections.

**Apple's Threats**

Ever since Apple Inc has entered in the market, its biggest threat is innovation. It keeps on producing the same kind of products. The regular customer might lose interest after some time. While Apple's structure is smooth and short-sighted, that is actually what makes it simple to imitate. Worldwide stores sell counterfeit renditions of iPhones and iPod contacts which, outwardly, look about indistinguishable. Furthermore, numerous individuals fall for the tricks of 'overly cheap Apple items' sold on the web. Another threat to Apple products is competition. Companies like Samsung have captured the market with the launch of the concept of androids in the market. Apple has heightened its competition by not providing earphones in its new model, iPhone 7. Moreover, android companies are providing the same facilities at much cheaper rates.

Source: https://pestleanalysis.com/swot-analysis-case-study-of-apple/

**QUESTIONS**

How did Apple expand its business boundaries? (Hint: iPhone 7, Bluetooth headphone, watches, etc.)

What were the threats to Apple Inc? (Hint: Innovation, competition, etc.)

**Case 6 : CASE STUDY: COCA-COLA'S MICRO ENVIRONMENT**

The marketing department of Coca-Cola develops core strategies for company brands to make sure that all communication is consistent in all the markets. With a combined effort, the Coca-Cola system attempts to maximise its resources for profitable growth and market leadership. The marketing departments are responsible for product's advertisement, marketing and promotion. If all these departments perform their duty effectively, then the objectives of the Coca-Cola Company will be met. Coca-Cola agreed to swap some brands and buy a 17% stake in Monster Beverage Corp. for about $2.15 billion, increasing its bet on the rapid growth of the energy-drink market. Under the agreement, the two companies will share their production, marketing and distribution.

Marketing intermediaries aid the company in promoting, selling and distributing its goods to the end customers. Intermediaries encompass marketing agencies, distribution firms and resellers. For example, in a deal, Coke joined hands with a US-based company Wendy that it will provide coke to all the fast food chains located in the US. In this case, Wendy is an important example of intermediary for coke.

Suppliers offer raw materials and resources that are required by the firms to produce goods and services. For example, bottling partners is a company-owned entity, namely Hindustan Coca Cola Beverages Ltd. Suppliers always play a crucial role in the operations of every firm.

Customers of coke differ massively in terms of age. From kids to youngsters, youngsters to elders and elders to older people, coke has always captured high customer attention for decades. For example, with the help of market survey, Coke finds that one million US population drinks coke with breakfast every single day. This is how coke has been favourite drink of customers for centuries. Recent survey shows that coke is the only product in the world of which more than 85% of the population is well aware. All companies have to keep updated study of their customers. In case of coke, the company has always maintained excellent customer retention.

Coca Cola's annual Stakeholder Panel is particularly insightful with members of the Panel drawn from NGOs, academia, investors, trade associations, suppliers and other technical experts. The Panel's scope is to identify emerging risks and opportunities, and to encourage company demonstrate ever-greater leadership and innovation.

Source: https://www.slideshare.net/TannuBhatnagar/marketing-management-38228513

**QUESTIONS**

1. What are the micro business environment components of Cola-Cola as in the case mentioned above?

(Hint: Marketing intermediaries, suppliers, customers, stakeholders.)

2. How has Coca-Cola maintained its customer base?

(Hint: Coke finds through market survey that one million of the US population drinks coke with breakfast everyday. This is how coke has been a favourite drink of customers for centuries.)

**Case 7 : ENTRY OF HUAWEI INTO INDIA. When domestic company goes international**

This case study explores the globalisation strategy used by Huawei, the world's second largest telecommunication company, to enter into the Indian market.

**Problem**

Huawei is a Chinese business-to-business (B2B) company that rapidly expanded into the global market since 1997. Before that, its name was literally unheard of outside China. In 2000, the company decided to enter into the Indian market. However, it faced various challenges:

Crowded space: The telecommunication space was crowded with various domestic and international players. In such a space, the company had to make a distinctive brand for itself as a reliable partner.

Politically charged history: Ever since the Sino-Indian wars in 1962, India and China had maintained a cool distance. Clashes between the two troops in the disputed northern border were not unheard of. In such a scenario, the Indians regarded the Chinese company with scepticism.

Cultural perception: For most Indians, the Communist Republic of China was a closed country. Although neighbours, the people-to-people exchange between the two Asian giants was very rare. One reason could be attributed to the language difference; Chinese were mostly non-English speakers, whereas most of India used English as their business language. Therefore, Huawei found it difficult to establish trustworthy relations with the Indian businesses community.

Quality perception: In India, Chinese products were perceived to be of inferior quality. This was a negative factor for Huawei.

**Solution**

To overcome these challenges, Huawei decided to invest some time to understand the Indian market better. The company implemented the following steps:

- Established R&D centres and service centres in the country.
- Allocated 90% jobs locally to the Indians—a fact that worked very favourably in building a good reputation of the company among the Indians.
- Set up two production plants in Chennai.
- Conducted skill based workshops for Indians with Huawei staff to make them aware about the international standards. This also helped the company to clarify the cultural misconceptions the Indians had about the Chinese.
- Sourced most of its components locally, which made them not only cheaper but also helped the local companies to achieve international quality standards. Again, the Huawei staff helped the local companies in skill and technology enhancement.
- Promoted consumer products such as smartphones by establishing strategic partnerships with local media channels.
- Advertised Huawei smartphones as aspirational products to remove the perception of low quality of Chinese products.
- Fostered a strong brand culture.
- Set up rewards and recognition programs for R&D talent.
- Promoted Indian employees to managerial positions.

## Conclusion

There is a misconception among strategy formulators and marketers that the two Asian giants, India and China, share a similar culture, which is not the case. For companies on both sides to enter into each other's market, it is important to study the market comprehensively before entering into it.

The Chinese company Huawei found it as difficult to break the cultural barriers in the Indian market as the Western companies do. Huawei was able to successfully overcome these barriers by:

- Establishing itself as a trustworthy brand

- Building relationships with the local businesses and personnel
- Committing a long-term, sustainable relationship that would boost India's economy and create jobs for locals
- Providing superior quality consumer products

Source: https://www.ft.com/content/a7c4d656-fe89-11e1-8028-00144feabdc0

**QUESTIONS**

1. What were the challenges faced by Huawei while entering the Indian market? Compare those challenges with the challenges that the company faced while entering another market, such as Europe or Africa.

(Hint: Crowded telecom market, political differences, cultural differences, misconceptions about the company and its products, general scepticism about job creation, etc.)

2. What are the key learnings from the Huawei's entry into India?

(Hint: Always study the foreign market with an open mind, never pre-assume anything particularly with respect to the company's image and the local culture, invest and commit to develop trustworthy relations, etc.)

## Case 8 : Toshiba's Corporate Strategy

Toshiba firmly believes that a single company cannot dominate any technology or business by itself. Toshiba's approach is to develop relationships with different partners for different technologies. Strategic alliances form a key element of Toshiba's corporate strategy. They helped the company to become one of the leading players in the global electronics industry. In early 1990s Toshiba signed a co-production agreement for light bulb filaments with GE. Jack Welch, the legendary former CEO of GE, was a Toshiba's admirer. According to him, a phone call to Japan was enough to sort out problems if and when they arise, in no time. Since then, Toshiba formed various partnerships, technology licensing agreements and joint ventures. Toshiba's alliance partners include Apple Computers, Ericsson, GE, IBM, Microsoft, Motorola, National Semi Conductor, Samsung, Siemens, Sun Microsystems and Thomson. Toshiba formed an alliance with Apple Computer to develop multimedia computer products. Apple's strength lay in software technology, while Toshiba contributed its manufacturing expertise. Toshiba created a similar tie-up with Microsoft for hand held computer systems. In semiconductors, Toshiba, IBM and Siemens came together to pool different types of skills. Toshiba was strong in etching, IBM in lithography and Siemens in engineering. The understanding among the partners was limited to research. For commercial production and marketing the partners decided to be on their own. In flash memory, Toshiba formed alliances with IBM and National Semi Conductor. Toshiba's alliance with Motorola has helped it become a world leader in the production of memory chips. The tie-up with IBM has enabled Toshiba to become a world's largest supplier of color flat panel displays for notebooks. Toshiba believes in a flexible approach because some tension is natural in business partnerships, some of which may also sour over time. Toshiba executives believe that the relationship between the company and its partner should be like friends, not like that of a married couple. Toshiba senior management is often directly involved in the management of strategic alliances. This helps in building personal equations and resolving conflicts.

**Question**

1. Critically evaluate Toshiba's strategy and measure the results.

Source: 1000ventures.com