

INBS 484: SEMINAR IN INTERNATIONAL BUSINESS
Final Exam: Spring 2019

ESSAY QUESTIONS

Instruction:

Answer all five questions. Each answer will be judged on completeness, correctness, clarity of presentation and freedom from errors in spelling and grammar.

Questions:

Case Scenario 2: Jewell Company.

Jewell Company (JC) is a \$2 billion diversified manufacturer and marketer of simple household items, cookware, and hardware. In the early 1950s, JC's business consisted solely of manufactured curtain rods that were sold through hardware stores and retailers like Sears. Since the 1960s however, the company has diversified extensively through acquisition into such businesses as paintbrushes, writing pens, pots and pans, and hairbrushes. Over 90 percent of its growth can be attributed to these many small acquisitions, whose performance it improved tremendously through aggressive restructuring and its corporate emphasis on cost-cutting and cost controls. While JC's sixteen different lines of business may appear quite different, they all share the common characteristics of being staple manufactured items and sold primarily through volume retail channels like Wal-Mart, Target, and Kmart. Because JC operates each line of business autonomously (separate manufacturing, R&D, and selling responsibilities for each line), it is perhaps best described as pursuing a related linked diversification strategy. The common linkages are both internal (accounting systems, product merchandising skills, and acquisition competency) and external (distribution channel of volume retailers). JC is presently contemplating the acquisition of Plastico, a \$3 billion U.S.-based manufacturer of flexible plastic products like trash cans, reheatable and freezable food containers, and a broad range of other plastic storage containers designed for home and office use. While Plastico has been highly innovative (over 80% of its growth has come from internal new product development), it has had difficulty controlling costs and is losing ground against powerful customers like Wal-Mart. JC believes that the market power it wields with retailers like Wal-Mart will help it turn Plastico's prospects around.

1. (Refer to Case Scenario 2). How might JC's related diversification strategy result in economies of scope and market power? [20 points]
2. Discuss *multi-domestic* strategy, *global* strategy, and *transnational* strategy. On what factors are these strategies based? [20 points]
3. A friend of yours stated: "I would never want to be dependent on an alliance. I prefer an acquisition so that everything would be under my control." How would you respond? [20 points]
4. What do you think about the use of offshoring by MNEs? Is it a threat to jobs in the U.S.? Has it benefited MNEs and other countries more than the U.S.? [20 points]
5. Briefly describe how exchange rates influence business activities. [20 points]