



Lecture International Management II (ST 2005) - Final Exam

Course No.: 1189; Lecturer: Prof. Dr. Birgitta Wolff

Final Exam

In the Final Exam to this class, you will have one hour to solve the problems with a maximum of 60 points. There are a few pieces of general advice we can offer at this stage:

1. Use the theoretical tools and terminology you have learned in class and from the textbook.
2. Make sure there is a clear structure in your argument. (Use some time to sort your ideas before you start writing the version you want to submit, esp. if you answer B).
3. Use the time you have! If you are ready much earlier than we planned you should wonder if you forgot something.
4. Remember: people have to be able to decipher what you write.
5. Leave a margin for our comments, so we can give you a more detailed feedback than just the number of points.

Here is the set of problems:

Please solve either part A or part B (max. 60 points):

You are welcome to use a dictionary and a calculator!

Part A (max. 60 points)

Answer only 4 of the following 5 questions! (max. 15 points for each question)

1. Explain five alternative organizational modes of foreign market entry with respect to the country-hold up risk. Don't forget to explain the country-hold up risk first.
2. Explain the categories, which Hofstede uses to characterize different cultures. Compare two countries' cultures of your choice using Hofstede's scheme. Name two other researchers and the dimensions they found in the field of culture dimensions research.
3. eBay Germany lost a law suit concerning its marketing slogan "3... 2... 1... meins" two weeks ago. They failed to protect their property rights on the slogan because a German business consultant protected the slogan one month earlier. Suppose that eBay now wants to negotiate with the consultant. The consultant has produced merchandising articles with the slogan for his business and he estimates the costs of switching to another slogan at 30,000 €. If eBay cannot get the slogan, the best alternative is to take another slogan which is not yet registered to anyone, and is available for a 10 € registration fee. eBay estimates that using another slogan, instead of "3... 2... 1... meins", would work out to an expected cost of about 1,100,000 €.
 - What is a BATNA in general and what are the players BATNAs in this case?
 - Explain how to develop a reservation price in general and what are the reservation prices for the players in this case?
 - What is a ZOPA in general, what is it in this case and what are fundamental tasks regarding the ZOPA
4. Describe the phases of a bargaining process and explain the specifics of cross-cultural business negotiations in this context. Give a stylized example of a negotiation to accompany your findings.

5. Explain theoretical considerations that help to decide how to efficiently staff an international business project.

Part B (max. 60 points)

Bidding war seen for Hoover owner

Haier Group, the giant Chinese fridge and washing-machine maker, has made a bid for Maytag, the US firm, which owns the Hoover vacuum-cleaner brand.

Haier and two US private equity firms have bid \$1.28bn (£700m) for the iconic American manufacturer, which has struggled amid stiff competition. US corporate buy-out firm Ripplewood bid \$1.13bn for Maytag last May. A bidding war could now take place as Maytag said it would consider both bids but favoured Ripplewood's.

Haier, one of China's largest conglomerates, has teamed up with Bain Capital and the Blackstone Group to make the offer. It is one of China's best-known electrical manufacturers, accounting for a quarter of all refrigerator sales. Maytag, which has been making washing machines and other products for nearly 100 years, is best known for its ownership of the iconic Hoover brand but it also produces a range of other household products. It has suffered a fall in profits in recent years as rising steel prices and cheaper competition from abroad have squeezed margins.

Maytag's board initially recommended Ripplewood's offer - which is also being backed by the Goldman Sachs and J. Rothschild investment banks - but the terms of the deal allowed it to consider other bids. "We continue to support the Ripplewood transaction," Maytag director Howard Clark said in a statement. "However, we also believe that it is incumbent on us to pursue this possibility of achieving a higher price for our stockholders." Haier revealed its interest in Maytag earlier this month but, at the time, declined to say whether it would make a bid.

Source: BBC News World Edition, Tuesday, 21 June, 2005.
<http://news.bbc.co.uk/2/hi/business/4113838.stm>

What considerations should guide the strategic decision of the Chinese washing-machine maker to expand into the US market? Discuss opportunities, risks, as well as appropriate strategies and organizational forms, using economic terminology.

Good luck !