Mock Exam Questions

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Mock Exam Questions

- **Examples**
  - Discuss the key criteria of "*entry mode choice*" under "*the institutional context*" in accordance with **Schwens et al. (2011)**.
  - According to **Peng (2000)**, local governments are acting as "*agents of the state*". What does it mean? Elaborate on the 3 joint venture cases using "*a principal-agent framework*".
  - What does it mean by "*strategic alliances*"? What is the difference between "*collaborative strategic alliances*" & "*contractual strategic alliances*"?
  - What is the "*logic*" of entering in "*a joint venture in China*"?
  - Explain how foreign firms should adapt "*entry strategies*" under "*differences in institutional development*" in accordance with **Meyer et al. (2009)**.

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Buckley et al. (2013). "The Spatial Redistribution of Japanese Direct Investment in the UK between 1991 & 2010", *Business History*, 55(3), 405-430.

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Japanese Direct Investment in the UK

- **Questions**

  - ❖ Discuss the major characteristics of Japanese FDI in the UK.

  - ❖ Elaborate on **HOW** industrial support policy influences the investment pattern of Japanese multinational corporations.

  - ❖ **WHAT** does it mean by "*agglomeration*"? What about its positive & negative effects in general? How does it determine Japanese MNCs' location strategies?

  - ❖ Describe the patterns of Japanese firms' location at the subnational level from 1991 to 2010 as presented in Figure 1 (page 418).

  - ❖ What are the crucial remarks of this piece of work?

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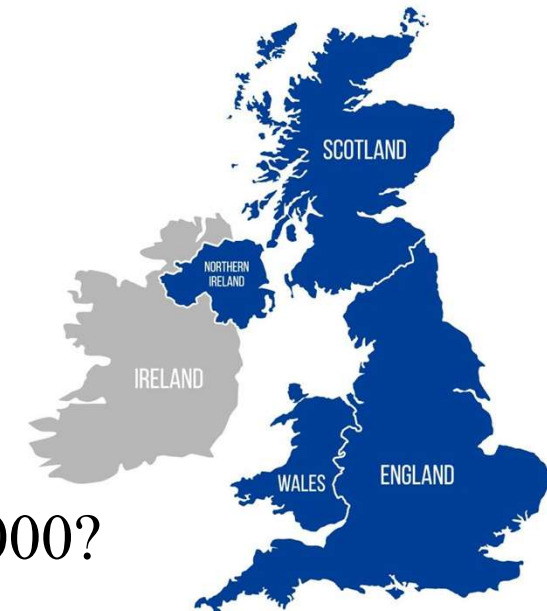
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Japanese Direct Investment in the UK

■ **Characteristics**

❖ **The UK** was the **'first choice'** as an investment destination for JMNCs in Europe for many years.

❖ **Why** the UK was **attractive** in the eyes of JMNCs?
  – Government openness;
  – Language (English);
  – Market size; &
  – Access to the European market.

❖ **Why JFDI** was important to the **UK**?
  – Managerial superiority;
  – Technological leadership; &
  – Long-term commitment.

❖ **Why JFDI** in the **UK** has **dropped** since 2000?
  – The emergence of new competitors from Asia;
  – Increased FDI destination options; &
  – Non-participation of the UK in the Eurozone.

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Japanese Direct Investment in the UK

■ **Understanding Industrial Support Policy**

  ❖ **Financial & non-financial incentives?**

  – Corporate tax deductions;

  – Subsidies;

  – Employment grants;

  – Fast track approvals;

  – 'One-stop' agency assistance; &

  – Industrial zones or research parks.

  ❖ **The UK's governmental support schemes?**

  – 'Regional Selective Assistance' (RSA); &

  – 'Regional Development Assistance' (RDA).

  ❖ **The effectiveness of the financial incentives?**

  – The **number of JFDI** & the **allocation of structural funds per NUTS 1 region** are **negatively correlated**.

  – On average, **Japanese firms** entering the UK during the period from 2000-2006 **exit after five years**.

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Japanese Direct Investment in the UK

■ Agglomeration

2003   2007   2010
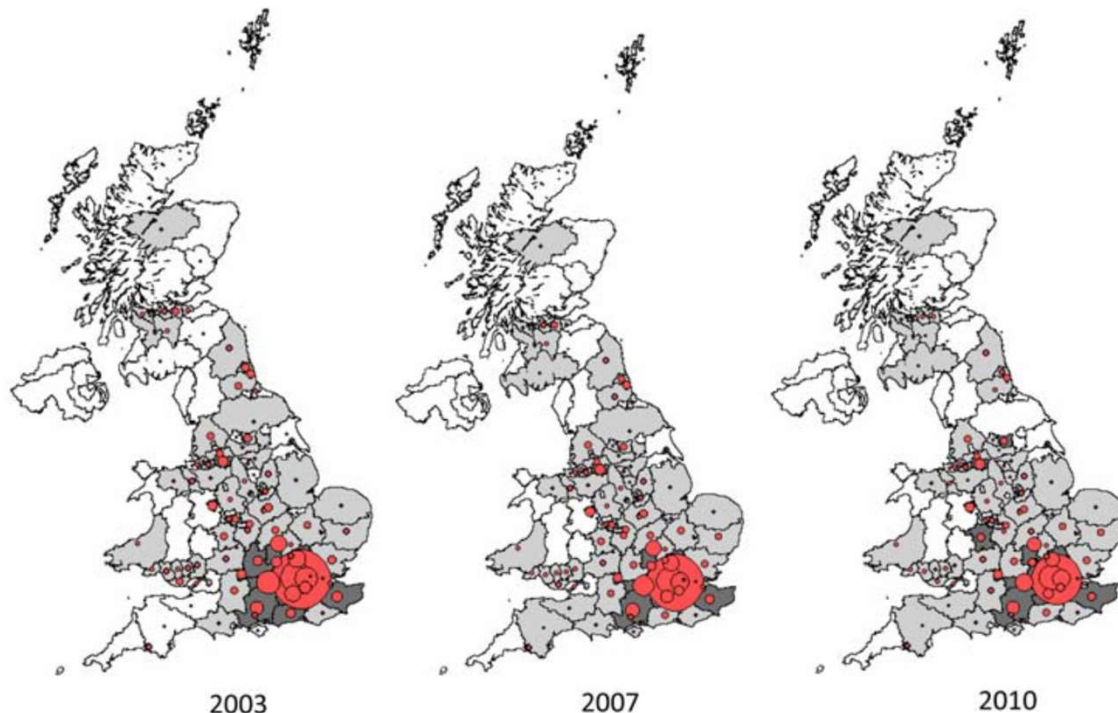
Source: Buckley et al. (2013: 418).

KEY POINTS

> **London & the South East** continued to maintain their importance as investment locations.

> The configuration of geographical location of JMNCs is largely **stable between 1991 & 2010**.

> **Scotland** seems to have **lost their relative attractiveness** as investment destinations.

> **A further cluster of JMNCs** can be found in the **North East** where firms spread from the **Sunderland region** into bordering Tyneside, Northumberland & Durham.

> The **consolidation of JMNCs** took place in **Wales & Central England**.

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Japanese Direct Investment in the UK

■ **Japanese Exit & Investment Cases by NUTS 1 Region**

	Total Exits (%)	Exits since 2003 (%)	Investment Cases since 2003 (%)	Net Loss Ratio since 2003 (%)
North East	1.9	2.5	0	−30.6
North West	2.3	1.1	3.6	0
Yorkshire and Humber	1.9	1.9	1.5	−23.8
East Midlands	2.7	2.0	2.9	−11.9
West Midlands	3.8	3.9	5.1	−18.5
East of England	5.2	5.2	8.0	−15.8
London	55.4	53.1	56.9	− 7.9
South East	16.6	19.3	16.1	−27.8
South West	2.5	2.9	2.9	−22.5
Wales	3.7	4.1	0.7	−39.5
Scotland	3.8	4.3	2.2	−45.7
Total (N)	729	441	137	−25.7

Source: Buckley et al. (2013: 420).

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Japanese Direct Investment in the UK

- **Fact**
  - ❖ There are **931 Japanese companies** with operations and **158 R&D centers** in Britain.
  - ❖ Japanese firms employ an estimated **140,000 workers** in the UK.
  - ❖ The UK's auto industry is dominated by Japanese automakers.
    - **Cars a year:** Toyota (**180,000**), Nissan (**580,000**), & Honda (**140,000**)
    - **EU exports (%):** Toyota (**75%**), Nissan (**76%**), & Honda (**40%**)
    - **Tariffs of up to 10%???**
  - ❖ Japanese pharmaceutical companies feel uncertain about future **drug regulations with any divergence with the EU**.
  - ❖ Japanese banks in London are concerned about the issue of **"passporting" arrangements** for access to the EU.
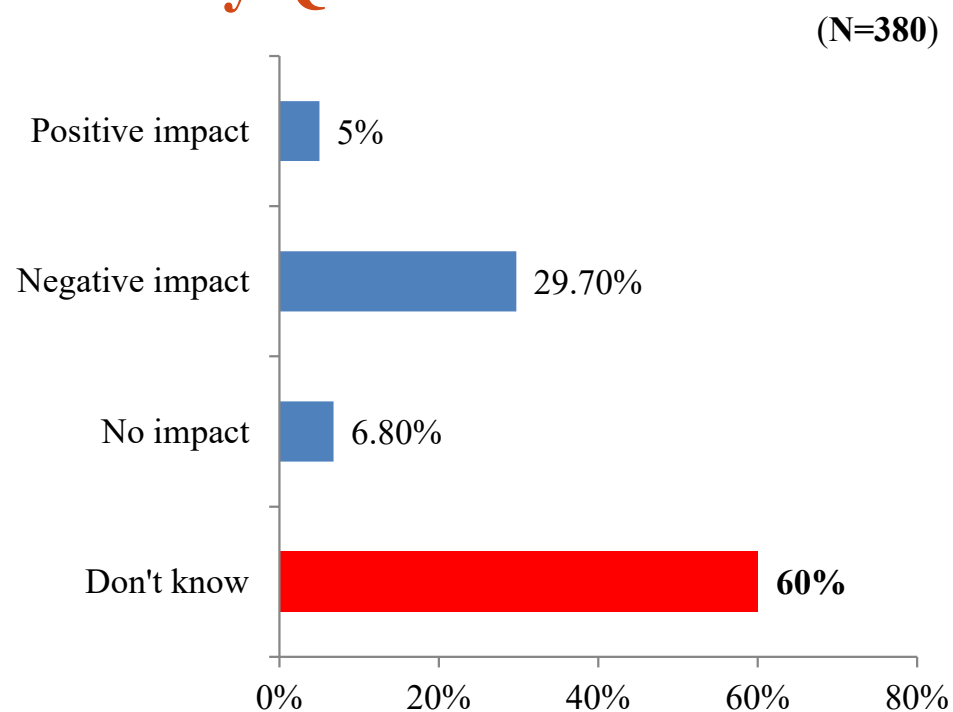
Source: Bssed on various media sources.

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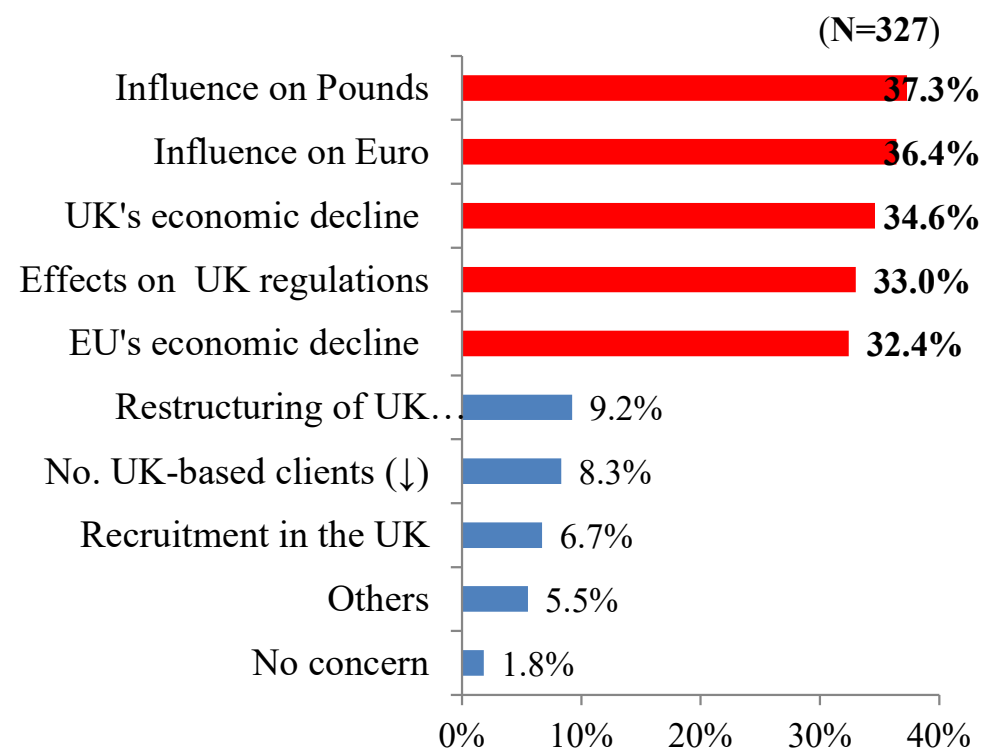
Japanese Direct Investment in the UK

■ **Japanese MNCs' Concern about the Impact of 'Brexit'**
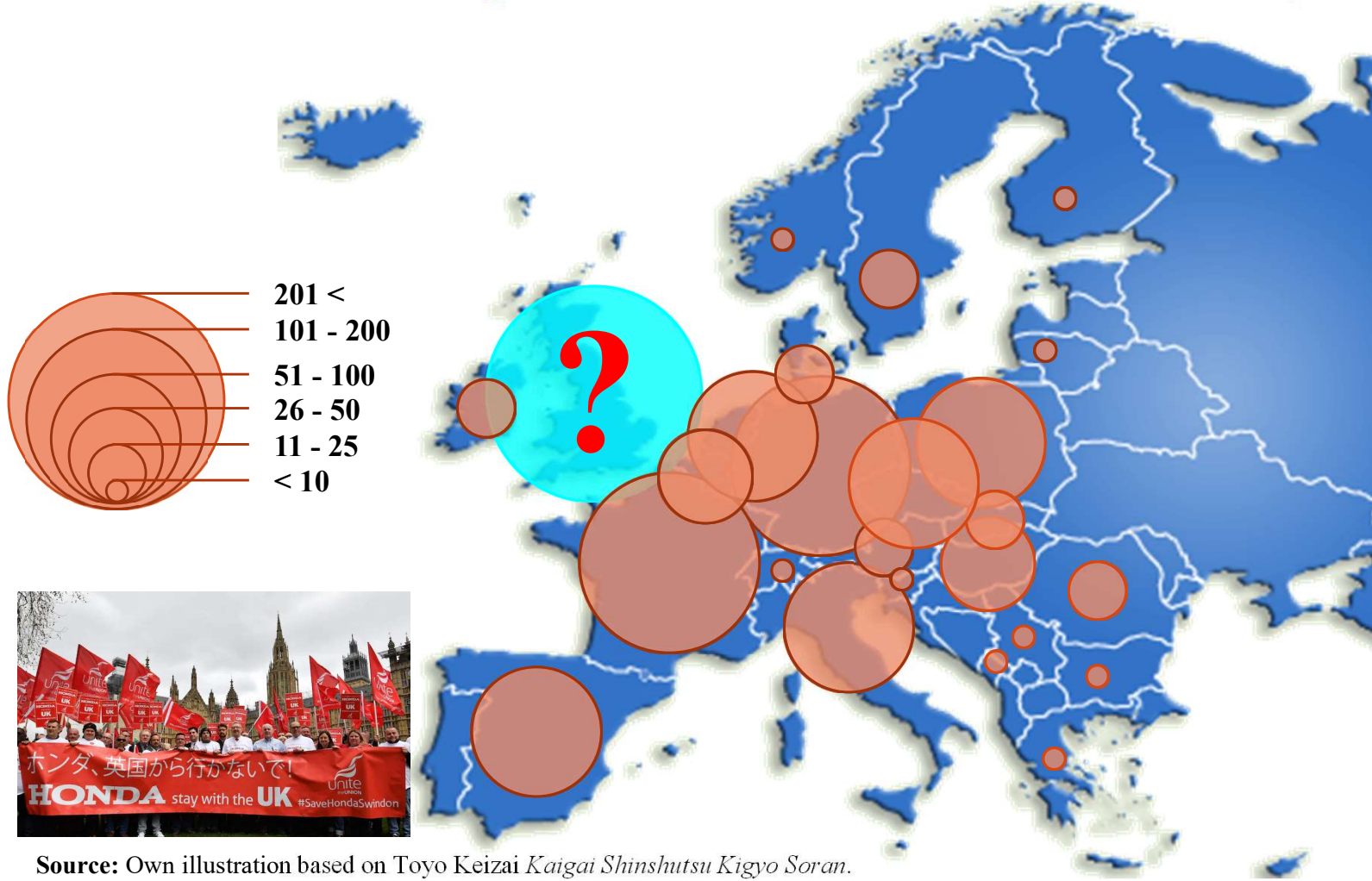
Estimated Impacts on Businesses

(N=380)

Impact	Percentage
Positive impact	5%
Negative impact	29.70%
No impact	6.80%
Don't know	**60%**

The List of Brexit Concerns

(N=327)

Concern	Percentage
Influence on Pounds	**37.3%**
Influence on Euro	**36.4%**
UK's economic decline	**34.6%**
Effects on UK regulations	**33.0%**
EU's economic decline	**32.4%**
Restructuring of UK…	9.2%
No. UK-based clients (↓)	8.3%
Recruitment in the UK	6.7%
Others	5.5%
No concern	1.8%

❖ **Many JMNCs are much concerned about exchange rate fluctuations after Brexit.**

Source: JETRO (2016).

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■ Number of Japanese Manufacturing MNCs (after 'Brexit')

Legend (bubble sizes):
- 201 <
- 101 - 200
- 51 - 100
- 26 - 50
- 11 - 25
- < 10

Source: Own illustration based on Toyo Keizai *Kaigai Shinshutsu Kigyo Soran.*

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About Your Career

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What is Your Survival Plan?

- **What Skills will be in Demand? (1/2)**

  - ❖ **US Certified Public Accountant (USCPA)**
    - – Financial accounting & reporting (FAR) | Regulation (REG) | Business environment & concepts (BEC) | Auditing & attestation (A&A).

  - ❖ **Certified International Trade Logistics Specialist (CITLS)**
    - – Air freight as a mode of shipment | Ocean freight practices | Intermodal transportation for international freight | Logistics documentation | Regulations | Insurance issues | Analysis of product import/export potential.

  - ❖ **MBA (Master of Business Administrator)**
    - – Top Business Schools in the US, Europe & Asia.

  - ❖ **IT Certifications**
    - – Certified in Risk and Information Systems Control (CRISC) | Certified Information Security Manager (CISM) | Certified Information Systems Auditor (CISA) | Cisco Certified Entry Networking Technician (CCENT).

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What is Your Survival Plan?

- **What Skills will be in Demand? (2/2)**

  - ❖**Languages**
    - – **Official languages of the United Nations:** English | French | Chinese | Arabic | Spanish | Russian.
    - – **Common European Framework of Reference for Languages (CEFR): C1** (Effective operational proficiency or advanced) or **C2** (Mastery or proficiency) level is required.
      - ✓ **English:** IELTS 8.0-9.0 / TOEIC (L) 470~/495 & (R) 470~/495.
      - ✓ **French:** TCF C1 / DALF C1 / TCF C2 / DALF C2.
      - ✓ **German:** Zentrale Oberstufenprüfung (ZOP).
      - ✓ **Spanish:** DELE C1 / DELE C2.

  - ❖**Experiences**
    - – Multiple (**paid**) **internship/traineeship/apprenticeship** experiences in **different countries**.

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Ozkan (2020). "International Market Exit by Firms: Misalignment of Strategy with the Foreign Market Risk Environment", *International Business Review.*

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International Market Exit by Firms

■ **Questions**

❖ What are the **CONTRIBUTIONS** of this article?

❖ Explain what **ROLES** strategy would play in international market exits in detail.

❖ **WHY & HOW** do you think important for firms to have the ability to scan internal & external environments?

❖ Identify one specific MNC divestment **CASE** & explain the reasons for <u>your chosen MNC's exit</u> from a foreign market.

❖ What **DRAWBACKS** are inherent in this piece of scholarly work?

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International Market Exit by Firms

■ **Contingency Theory**

❖ **Definition**

– … clarifies the relationship between two variables (**X & Y**) depends on a third variable (**Z**) (Donaldson, 2001).

– The concept of "*fit*" or "*alignment*" for success.

❖ **Key Concept**

– **Exit** is the product of "*misfit*" or "*misalignment*" between (1) "*firm strategy*" & (2) "*foreign market risk environments*".

– **Strategy making (=formulation & implementation)** is the sole **process** that firms **analyze, understand, & adapt** to their external environment (Wolf & Floyd, 2017).

– **Strategic formulation** (scanning & strategy congruence) + **strategic implementation** (action plan congruence & 4P) → **Exit** (↑↓)

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International Market Exit by Firms

- **How Do Managers Become Environmentally Aware?**

  - ❖ **The Concept of Perceptual Acuity** (= **sharpness**)
    - – The ability to **sense what is coming** before the fog clears.
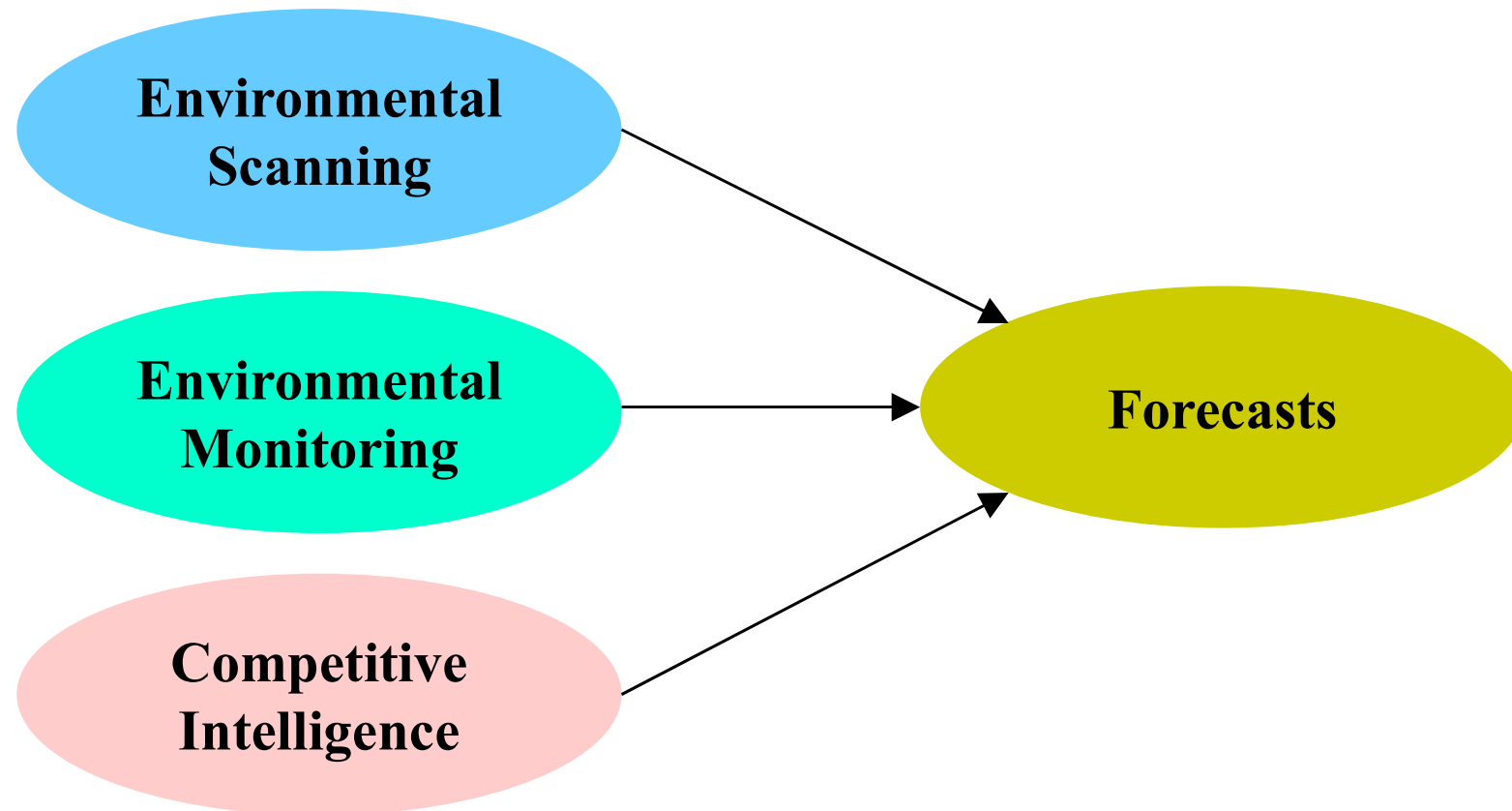
  - ❖ **How to Improve Perceptual Acuity? ('3' Examples)**
    - I. One CEO gets together with his/her critical people for **half a day every 8 weeks** to **discuss what's new & what's going on** in the world. The participants **look beyond the lens of their industry**.
    - II. Another CEO meets **four times a year** with about **4 other CEOs of large, but noncompeting, diverse global companies**. **Examining the world from multiple perspectives**, they share their thinking about how different trends may develop.
    - III. 2 companies **ask outsiders** **to critique strategy** during their board's strategy sessions. The focus was on **pinpointing the risk** inherent in a certain strategy.
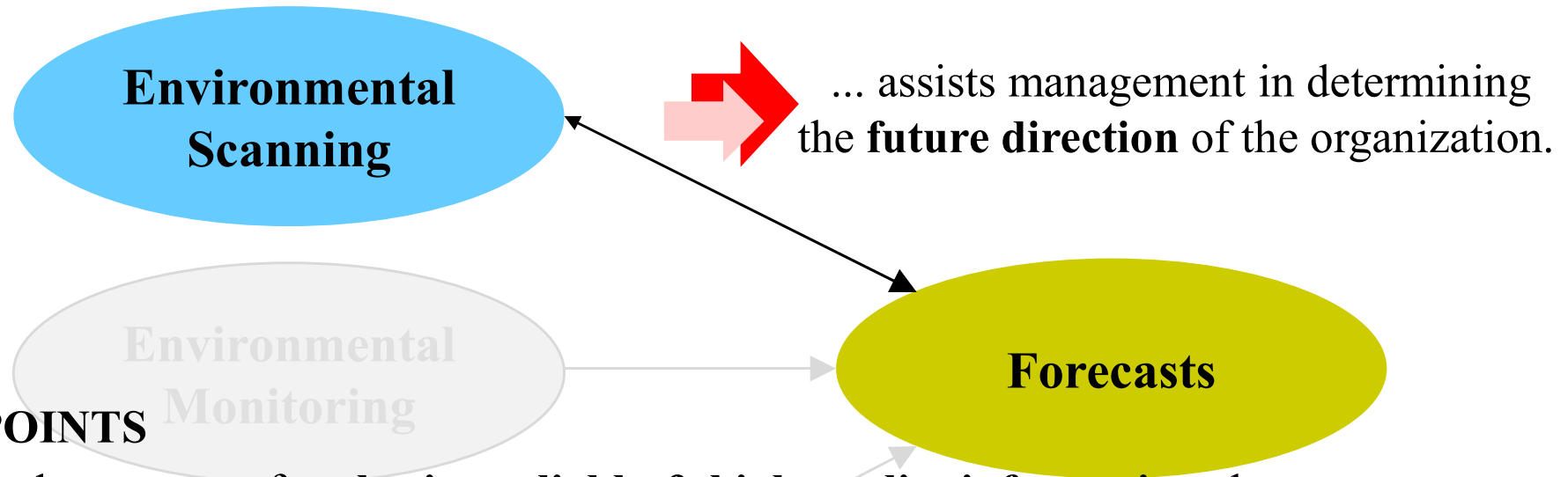
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■ **Inputs to Forecasting**

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International Market Exit by Firms

■ **Inputs to Forecasting**

Environmental Scanning

... assists management in determining the **future direction** of the organization.

Forecasts

Environmental Monitoring

Competitive Intelligence

KEY POINTS

❖ … is the process of **gathering reliable & high quality information** about **events**.

❖ ... means **surveillance (thorough investigations)** of a firm's opportunities & threats **before competitors recognize them** (**what may happen = the future**).

❖ Spotting key trends requires **a combination of knowing your industry & your customer** & being **alert to new business opportunities.**

❖ Check what **leading firms** are doing & will do in an industry (*e.g.*, Procter & Gamble).
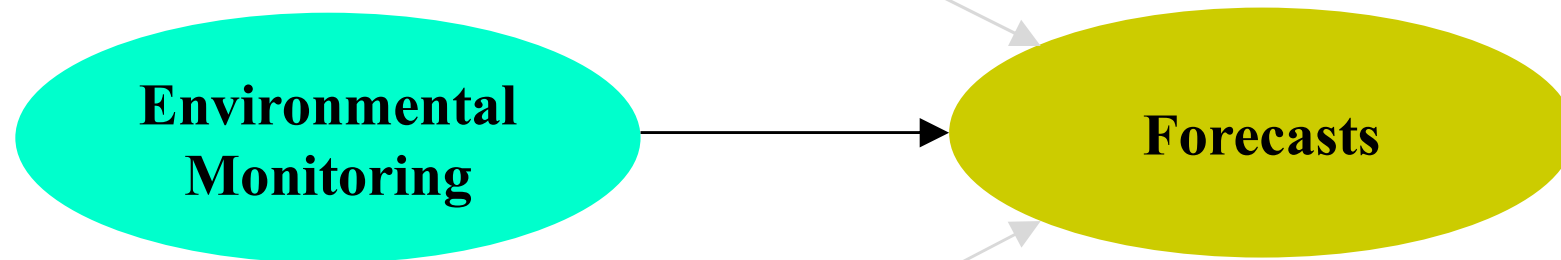
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International Market Exit by Firms

■ **Inputs to Forecasting**

KEY POINTS

❖ … means **a firm's <u>analysis</u>** of the external environment that **tracks the <u>evolution</u> of environmental trends, <u>sequences</u> of events or <u>streams</u> of activities** (**what has happened or is happening = <u>the past & present</u>**).

Environmental Monitoring → **Forecasts**

KEY POINTS

❖ **Motel 6 executive: The number of rooms in the budget segment of the industry** in the US & the difference between the average daily room rate & the consumer price index (**CPI**).

❖ **Johnson & Johnson medical product executive**: **% of GDP spent on health care**.

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International Market Exit by Firms

■ **Inputs to Forecasting**

KEY POINTS

❖ … means a firm's activities of **collecting & interpreting data** on **competitors**, **defining & understanding** **the industry**, & **identifying competitors' strengths & weaknesses**.

❖ **Examples** of competitive analysis:
  – The Wall Street Journal.
  – Bloomberg Businessweek.
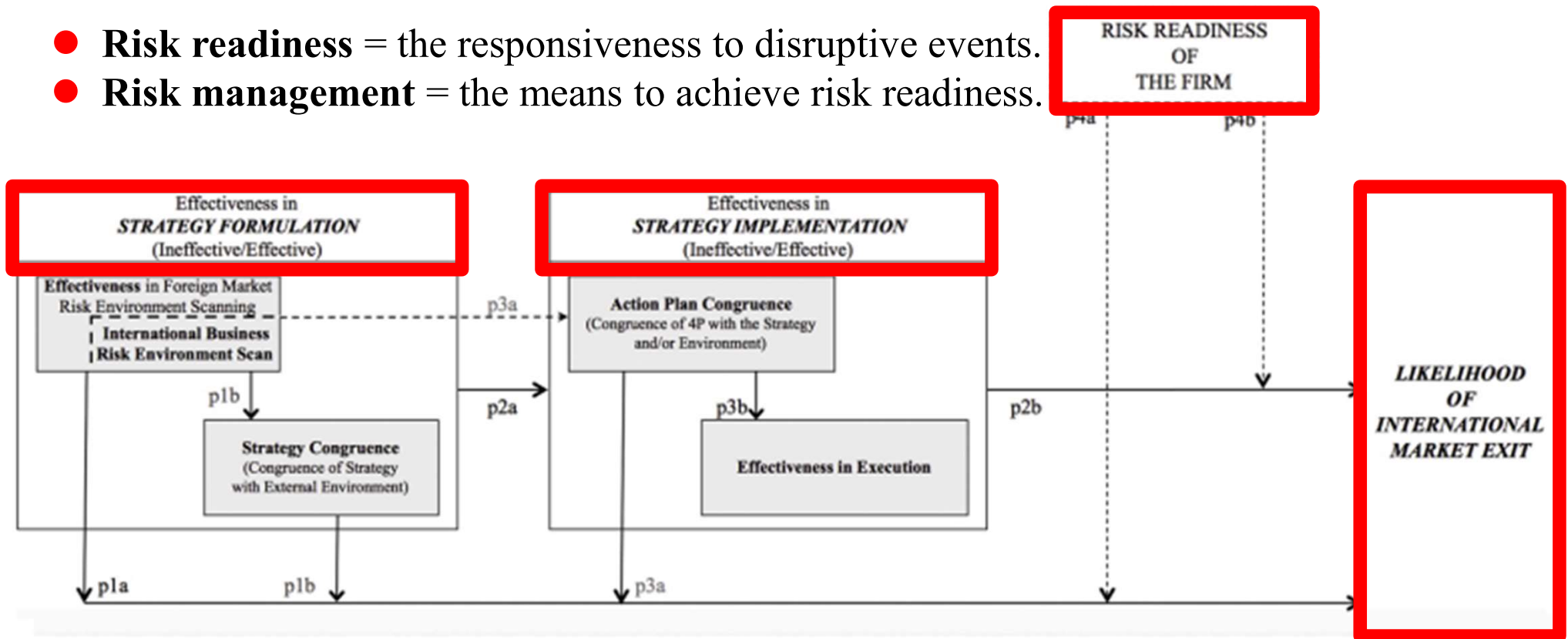 – Fortune.

Competitive Intelligence

Forecasts

KEY POINTS

❖ Examples of some websites:
  – SlideShare.
  – Quora: Q&A site.
  – YouTube.

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International Market Exit by Firms

■ **Conceptualization of the Subsidiary Exit Phenomenon**

● **Risk readiness** = the responsiveness to disruptive events.

● **Risk management** = the means to achieve risk readiness.

● **Strategic choices** = understanding the market / entry timing / entry mode / within country product diversity / strategic fit with affiliate.

Source: Ozkan (2020: 9).

International Market Exit by Firms

∎ **Managerial Relevance**

❖ **"Failing to understand customers is fatal"**
  - Satisfying customer needs & expectations may be more complex & difficult as cultural distance between home & host countries increases.

❖ **"The replication of one successful model does not necessarily guarantee a same result in different markets"**
  - Changing internal & external conditions require adaptation.

❖ **"Conducting your environmental scanning thoroughly"**
  - Coping with cultural differences is a component of the market, customer, & competition analysis.

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