PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

JANUARY-APRIL 2017

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: STM603

COURSE TITLE: Global Competitive Strategy

EXAM DATE: WEDNESDAY 5th APRIL 2017

TIME: 9.00AM – 12.00PM

INSTRUCTIONS

- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.
- Answer question **ONE (1)** and any other **Four** Questions

QUESTION ONE (Compulsory)

Whirlpools dramatic turnaround through internationalization

Home appliance maker Whirlpool Corporationis headquartered in Michigan, USA. During the next several years, the company expects growth in Asia and Latin America to be significantly higher than in North America and Europe. The firm manufactures washers, dryers, refrigerators, dishwashers, freezers, and microwave ovens in 13 countries and sells them in 170 others under brand names such as whirlpool, Maytag, magic chef, Jenn air, Amana, kitchen aid, Kenmore, brastemp and bauknecht.

Whirlpool generates 58% of its sales from North America,25 % from Europe,15% from Latin America and just 2% from Asia.

As the US appliance market matured in the 1990s whirlpool faced intense domestic competition and more demanding buyers, resulting in lower profit margins. Meanwhile international market trade barriers fell, consumer's affluence grew and capitalism flourished. Management realized that it could best deal with these threats and opportunities by undertaking a systematic program on internationalization. As a result whirlpool engaged in a series of moves over the next decade. Whirlpool acquired the appliance business of Philips in Europe, 65% of Italian cooling compressor manufacturer and purchased Poland second largest appliance maker. In Eastern Europe whirlpool created subsidiaries to sell and service appliances in Bulgaria, Hungary, Romania, Russia, Slovakia and the Czech Republic.

In china whirlpool formed a joint venture to produce air conditioners and established a corporate headquarters and product development/technology center in shanghai. The company also opened regional offices in Hong Kong, New Delhi and Singapore. In Mexico whirlpool acquired vitromatic, a former joint venture partner in Mexico. It also developed low cost versions of popular models to target customers in low income markets in Latin America, China and India.

Three factors have driven this global expansion. First, whirlpool sought to reduce its costs of Research &Development, manufacturing and service by locating plants and other operations in lower cost locations such as China, Mexico and Poland. Second, flat to declining sales growth in the United States pressured management to target sales in new markets abroad. Third, whirlpool realized the firms manufacturing and assembly operations would benefit from a more global approach. Management redesigned products with more standardized parts and ramped up marketing to make whirlpool a globally recognized brand.

In 1999 whirlpool management launched a major campaign to differentiate the firm's offerings by emphasizing innovative, value added products. In early 2,000 whirlpools enlisted 75 employees from almost every job classification and assigned them in groups to Benton, Italy and Brazil. Training almost lasted one year and was conducted by an outside consulting group. The next step was to get the rest of the global work force involved. Whirlpool established an intranet site and created a do it yourself course in innovation. The company established a rating system to identify high potential innovative ideas.

Since 2010 revenue has quadrupled annually. Whirlpool estimates that the new appliances in development from the system could produce $3 billion in annual sales up from the projections of $1.3 billion in 2010. Yet not all is bright and sparkling on whirlpool horizon. Haier, China's largest appliance maker established a production base and a distribution center in South Carolina in the United States. The world fifth largest kitchen appliance maker has captured nearly 20% and 50% of the markets for window air conditioners and small refrigerators respectively. The move is troubling given that whirlpool generates very little of its sale in Asia, the world most populous region where Haier already has a strong presence.

These trends show that globalization both benefits and pose new threats to whirlpools international ambitions. As it struggles to remain a world class player in a key industry, whirlpool faces new challenges. Management wants to expand sales in emerging markets while defending the home market from the global rivals from china and elsewhere. The firm seeks to continue to leverage and enjoy all the benefits of international business.

Required

a) Identify the international strategies used by Whirlpool and explain the benefits of each strategy (10 marks)
b) Discuss the factors that drove Whirlpool to go abroad (10 marks)
c) Describe the factors that Whirlpool has leveraged to achieve competitiveness while carrying out its international strategies (10 marks)
d) Explain the challenges faced by the firm regarding its future survival (10 marks)

QUESTION TWO

a) Explainthe use of exporting as a mode of entry into the international markets, citing its advantages and disadvantages. (9 marks)
b) Explain the factors a firm would consider in deciding the mode of entry. (6 marks)

QUESTION THREE

c) Distinguish between the use of Multi domestic strategy and Global strategy as international corporate level strategies, indicating when each may be used (10 marks)
d) Describe three different types of regionalism, citing examples (5 marks)

QUESTION FOUR

a) By use of examples, discuss the potential benefits a firm can derive from using successful international business strategies: (10 marks)
b) Briefly explain what may hinder a firm from achieving the benefits discussed in (a) above (5 marks)

QUESTION FIVE

a) Highly internationally diversified firms face risks that can lead to a competitive situation that differs significantly from what was predicted .Discuss the effect of such risks on a firm (12 marks).

b) Explain how social impact management is relevant to an international organization. (3 marks)

QUESTION SIX

a) Some industries are more suited for globalization than are others. Discuss the drivers that determine an industry's globalization potential. (12 marks)

b) Distinguish between competitive advantage and comparative advantage as used in international business. (3 marks)