

Deconstructing zara handout version essay



**ASSIGN
BUSTER**

1. The global economy may be viewed as a pyramid. The growing number of opportunities at the base of the pyramid highlights the role this bottom tier will play in the years to come. How would you take advantage of this often-ignored level if you were occupying a top management position at a prominent MNE? ANS: The global economy can be viewed as a pyramid. The top of the pyramid consists of one billion people with per capita income of \$20, 000 or higher. The second tier consists of another billion people making \$2, 000 to \$20, 000 a year.

A lot of the world's populations, about 4 billion people, live at the base of this pyramid, making less than \$2, 000 a year. (one billion???????????????? 20? , another billion make 2?? 20??? , ?????????? 4B? , make ?? 2???) Marketers have focused on the top two levels and ignore the bottom tier. It is much easier to market to consumers with higher incomes. An increasing number of countries located in this bottom tier also have a big opportunity to make more money. In the emerging world, marketing is different. There is no guarantee media choices will be available or that your product will be a success(marketers ?????????? ?????????? ,?????? ,???? ,??????????). The challenges in the bottom of the pyramid require innovation, such as identifying special price points, as well as long-term commitment. Many consumers at the base of the pyramid may be uneducated, but they are brand conscious. Companies need to think outside the box and identify win-win strategies for this emerging consumer market(?????????? ,?????????? ,????????? ,????????????????????). Although individuals living in developing economies have less purchasing power than

their counterparts living in the developed countries, they still have needs and wants.

Global firms capable of fulfilling these needs will make a profit and emerge as global marketers. (???????????????? ,????????) 2. Describe the differences among the three economic systems. ANS: A pure market economy is described by an “invisible hand” of market forces noted by Adam Smith in the Wealth of Nations in 1776. The government takes a hands-off approach known as laissez faire. The government only performs functions the private sector cannot perform. (???????????????? ,???????????????? ,????????????????) A pure command economy is defined by a government taking, in the words of Lenin, the “commanding height” on the economy.

All factors of production should be government controlled, and all supply, demand, and pricing are planned by the government. (Former Soviet Union) (???? ,???????????? ,????????????????????) A mixed economy has elements of both a market and command economy. It boils down to the relative distribution of market forces versus command forces. (????)???? (China) 3. Define how Hofstede’s power distance and uncertainty avoidance dimensions influence the style of decision making in the U. S. ANS: For example, in Brazil, the richest 10% have 50% of the national income, but everyone accepts it as the way it is.

Sweden, on the other hand, has a lower power distance where the richest 10% only get 22% of the national income. Managers in high power distance countries have a stronger role to manage their business. Managers in low power distance countries should take advantage of the greater

communication between power levels, gaining insight and perspective from all individuals. Uncertainty avoidance. Individuals in high uncertainty avoidance cultures place a premium on job security and retirement benefits. Managers in high uncertainty avoidance cultures (Greece) often strictly follow guidelines, rulebooks, and corporate codes.

Managers in low uncertainty avoidance countries (US China) rely more on experience and training. This gives the members more room to adapt in the face of a problem. 4. List and explain six basic rules of thumb for venturing overseas. ANS: The first is to be prepared. Traveling internationally is always difficult to predict, so attempting to plan and have enough materials or knowledge to face an unexpected situation is important. Second, slow down. The culture is very complex. Third, establish trust. It is important to establish trust despite those differences. This is the only bond international business persons can share.

Fourth, understand the importance of language. While not every manager will be able to learn the local language of their international business, and every manager may not need to, it is important to respect other languages. They are neither good nor bad, but merely an aspect of conducting international business. Fifth, respect cultural differences. It is necessary for managers to avoid ethnocentrism, the selfish mentality where they consider their own culture, ethics, and norms as rational and morally right. Sixth, understand that no culture is inherently superior in all aspects.

Neither the culture of the manager nor that of the local business is perfect. Much of culture is neither good nor bad, but simply the way those individuals

conduct their daily lives. Therefore, it is important to not impose cultural values on others but also to not take it personally when others may attempt to do so. 5. Identify the three categories of tangible resources, and provide an example for each category. ANS: The first category is financial resources and capabilities, meaning the depth of a firm's financial pockets. The capabilities include abilities to generate internal funds and raise external capital.

Example: Hainan's ability to raise capital through tapping into Soro's pool of funds. (????) The second is physical resources and capabilities, such as plants, offices and equipment, their geographic locations and access to raw materials and distribution channels. Amazon and the growth of the largest physical book warehouse in key geographic location is an excellent example. (?????) Technological resources and capabilities, the third category, include skills and assets that make leading edge products and services supported by patents, trademarks, copyrights, and trade secrets.

Example: over 60% of Canon's products have been introduced since 2005. 6. Identify the three categories of intangible assets, and provide an example for each category. ANS: Human resources and capabilities: This represents the knowledge, trust, and talents embedded within a firm that is not captured by its formal tangible systems and structures. Hainan Airlines' top managers are well known for their youth, competitive orientation, and Western training. Innovation resources and capabilities: A firm's assets and skills to (1) research new products and services, and (2) innovate and change ways of organizing.

Some firms such as Sony are renowned for innovations and pioneering new products, such as the Walkman, etc. Reputational resources and capabilities: A firm's ability to develop and leverage its reputation as a solid provider of goods/services, an attractive employer, and/or socially responsible corporate citizen. Examples include L'Oreal's acquisition of the Body Shop to leverage brand reputation, or Toyota, Honda, and Nissan's launch of their luxury car lines, Lexus, Acura, and Infiniti. 7. Compare and contrast absolute advantage and comparative advantage trade theories. ANS:

The economic advantage one nation enjoys that is absolutely superior to other nations summarizes the theory of absolute advantage. According to this theory, nations should specialize in economic activities in which they have an absolute advantage and trade with others. By specializing and trading, each nation produces more and consumes more. Therefore, the wealth of trading nations and the world overall increases. Its strengths are in being the birth of modern economics, serving as the forerunner of the free trade movement, and defeating mercantilism, at least intellectually. ??????????) The weakness of the theory is that when one nation is inferior to another, the theory is unable to provide any advice, and when there are many nations, it may be difficult to find an absolute advantage. To compensate, the theory of relative advantage claims that there may be an economic activity in which a nation has a relative advantage in comparison with other nations. This theory's strengths are that it offers more realistic guidance to nations interested in trade but having no absolute advantage and explains patterns of trade based on factor endowments. ???? ?????????????????) 8. Define three Non-Tariff Barriers and

explain their implications. ANS: Non-tariff barriers include subsidies, import quotas, export restraints, local content requirements, administrative policies, and antidumping duties. Subsidies are government payments to domestic firms to produce competitive advantage. (China) Import quotes are restrictions on the quantity of imports for specific period. Import quotas are worse than tariffs because with tariffs, foreign goods can still be imported if tariffs are paid.

Voluntary export restraints mean export country restraints the quantity of exports to other country. Trade barriers reduce international trade. 9.

Discuss the political arguments against free trade. ANS: Political arguments include national security, consumer protection, foreign policy, and environmental and social responsibility. National security is often invoked to protect defense-related industries. Many nations fear that if they rely on arms imports, their national security may be compromised if there are political or diplomatic disagreements between them and the arms-producing nation.

Consumer protection has frequently been used as an argument for nations to erect trade barriers. Foreign policy objectives are often sought through trade intervention. Trade embargoes are politically motivated trade sanctions against foreign countries to signal displeasure. Environmental and social responsibility can be used as political arguments to initiate trade intervention against certain countries. 10. Differentiate the primary characteristics of horizontal and vertical FDI. ANS: Vertical FDI setup new subsidiary , control whole supplier chain and products.

Horizontal FDI Takeover or joint venture with foreign firm (A car manufacturer merges with another car manufacturer, or sets up a plant and service delivery facility in a foreign market. It can step over the protectionist barriers and reduce transportation costs.) 11. Why do firms prefer FDI to licensing? ANS: FDI affords a high degree of direct management control that reduces the risk of firm-specific resources and capabilities being opportunistically taken advantage of. One of the leading risks abroad is dissemination risk, defined as the risk associated with unauthorized diffusion of firm-specific knowledge.

FDI reduces dissemination risks because it provides more direct and tighter control over foreign operations. Without FDI, foreign firms cannot order or control its licensee to move ahead. Finally, FDI facilitates the transfer of implicit knowledge through " learning by doing. " Certain knowledge calls for FDI as opposed to licensing. (FDI ?????????????? , FDI facilitates the transfer of implicit knowledge through " learning by doing. " Without FDI, foreign firms cannot order or control its licensee to move ahead. licensing will give up control over quality of the product and service sold by the foreign licensee.)

12. Identify the benefits and costs of FDI to home countries. ANS: There are three benefits to home countries: | 1) | Repatriated earnings of profits from FDI (????????????? All profits from FDI are returned to home countries.) | | 2) | Increased exports of components and services to host countries(?????????????) | | 3) | Learning via FDI from operations abroad (????????????? FDI) |

Costs of FDI to home countries primarily center on capital loss and job loss. Since host countries enjoy capital inflow because of FDI, home countries suffer from some capital outflow. Less confident governments (home) may

impose capital controls to prevent or minimize FDI flows. (capital loss and job loss. For example, US company setup new plants in China, it will help China increase job opportunities, but will reduce job opportunities in US.) In addition, many MNEs simultaneously invest abroad by adding employment overseas and curtail domestic production by laying off employees.

For example, Delphi, which is in bankruptcy, planned to reduce US employment and leave the bulk of production nationally. 13. Identify the difference between fixed and floating exchange rates. Provide an example of a situation where the fixed and floating exchange rates are used. ANS: A fixed exchange rate - fixes exchange rate relative to other currencies. The floating (or flexible) exchange rate - willingness to let demand and supply conditions decide exchange rates. This policy is often promoted by free market advocates. Few countries can adopt a truly clean (or free) float.

Most countries that use the floating exchange rate adapt a variation of a dirty (or managed) float, where the government can selectively intervene in a time of crisis or unexpected market movement. The US has been on a dirty float since the collapse of the Bretton Woods System. This has allowed the American government to intervene during times of great inflation or when other appreciating currencies force the dollar down.

(????????? ?????? ???????) An example of the fixed exchange rate is when East and West Germany's marks were fixed to each other on a 1: 1 ratio.

This helped East Germany's economy act stronger than it really was, thus boosting the morale and support of the East German citizens. West Germany ended up paying more for their goods, but this additional income helped East

Germany rebuild and reunite faster. 14. Describe what it means for a country to peg its currency to another, and give two benefits to this policy. ANS:

When a country pegs its currency to another, the value of the currency will strengthen or weaken according to the currency it is pegged to. Most countries that choose to peg their currency choose the US dollar. peg to another ????? ,??? peg?) A country that pegs its currency takes advantage of two benefits. First, a peg stabilizes(/'steibilaiz/) the import and export prices for developing countries. Second, many countries with high inflation have pegged their currency to the US dollar to restrain domestic inflation (given the fact that the US has relatively low inflation). (2??? :????????? ,?????????) 15.

Explain possible benefits and/or obstacles of global economic integration.

ANS: The postwar urge for global economic integration grew out of painful lessons in the 1920s and 1930s.

The world's nation-state governments in the aftermath of World War II established most of today's international regulatory and advisory institutions, such as the UN, WTO/GATT, World Bank, and many more, in order to promote peace by economic cooperation. Economic integration benefits the world. Countries are less likely to declare war on each other when there is faith in the dispute resolution system. The WTO represents an example of the expanding membership's faith in the organization to solve trade disputes. (?????? Example WTO??????????) Global economic integration promotes non-discrimination and a leveled playing field in most cases. The GATT/WTO system is called the multilateral trading system symbolizing the involvement of all participants. Non-discrimination minimizes trade complications and the formation of different sets of rules (withstanding

bilateral or regional preferences, i. e. NAFTA, EU). (????????????????) When capital is flowing freely around the globe, manufacturing is established in the areas most suitable for production.

Finally, when labor is flowing (moving) freely, individuals have freedom to utilize their personal skills by working in the industry of their choice, regardless on geographic location. The minimizing of trade barriers raises incomes, generates jobs, and stimulates economic growth.

(3.?????? ,???????????????? 4.?????? ,??) 16. Discuss direct exporting, licensing, and franchising as strategies for entering a foreign market. Explain each, and detail strengths and weaknesses. ANS: Direct exports are the first strategy for entering a foreign market.

This involves the sale of products made by entrepreneurial firms in their home country to customers in other countries. Direct exporting allows a firm of any size to reach foreign customers directly. However, it is often difficult for small firms to have enough resources to turn overseas opportunities into profits. Another challenge is that export transactions are often complicated. It requires both a high level of trust between the two parties as well as legal documents, such as a letter of credit guaranteeing the transaction will be honored(???????????????? , 1.???????????? 2.???????????? ?????????????????). Another way to enter international markets is through licensing and franchising. Licensing is the agreement made when one firm allows another firm to use its protected property such as patents or trademarks. Franchising is an agreement between service firms where one firm allows another to carry out its same service. This strategy allows the home firm to expand with relatively little capital of its own. The foreign firm paying for the rights must put up the <https://assignbuster.com/deconstructing-zara-handout-version-essay/>

capital. However, the home firm may stand to lose control over how the rights are used. (Licensing ?????????????????? Franchising ?????????????????? : 1.????????? , 2.?????????. ?? :?????) 17. Identify three first mover advantages and three disadvantages. ANS: First mover advantages include: (1) Preemption of scarce resources; (2) Avoidance of clashes with dominant local firms; (3) better relationships and connections with key stakeholders such as customers and governments. (1. ?????????? 2.????????????? 3.????????????????? such as ??????) First movers may gain advantage through proprietary technology. They may ride down the curve in pursuit of scale and scope of economies. First movers may also make preemptive investments. ??????????????) First movers may erect significant entry barriers for late entrants, such as customer switching costs. Parents buying one brand of a product such as diapers may often stick with that brand. (????????????????? ,?????????????) Intense domestic competition may drive some nondominant firms to seek fortunes abroad as a precaution to avoiding clashing with dominant firms located in their home countries. (2) Three first mover disadvantages are: (1) Late movers may be able to get a free ride on first mover's high pioneering costs. First movers face greater technological and market uncertainties.

Once first movers remove these unknowns, late movers may join the game with massive influence and drive. First movers may also be locked into a given set of fixed assets and be reluctant to introduce new products for fear of cannibalizing their existing product line. This presents an opportunity for late movers to take advantage of first mover's inflexibility. (1.????????????? , 2.????????????????????????????????????? 3.?????????????????) In summary, there is an equal amount of research pointing out the advantages gained by both first and late

movers. Entry timing cannot be viewed in isolation and used as the sole determinant of business entry success.

Interaction with other strategic variables will influence performance.

(????????????????????) 18. What is a turnkey project? What are the

advantages and disadvantages compared to other modes of entry? ANS:

Turnkey projects refer to projects in which clients pay contractors to design and construct new facilities and train personnel. At project completion, a key

is handed to the business. (?????????????? ,??????????????) The advantages

include the ability to earn returns from process technology in countries

where FDI is restricted (such as power generation). ??????????????? ,???) The

drawbacks are twofold. If foreign clients are competition, selling them state-of-the-art technology through turnkey projects may boost their

competitiveness. Turnkey projects do not allow for a long-term presence

after key is turned over to the client. (?? : 1.?????????????????? ,??????????

2??????????????????) To obtain longer-term presence, build-operate-transfer (BOT)

agreements are now often being used in place of the traditional build

transfer projects. 19. Explain how institutions affect alliances and

acquisitions. ANS:

Alliances exist within a set of formal legal and regulatory frameworks.

Therefore, the impact of institutions is obvious. The formal institutions are

often related to antitrust regulations and entry requirements. Since many

alliances are between competing firms, antitrust authorities are often closely

involved. However, an alliance is viewed as more favorable than an

acquisition. There are formal government policies on entry mode

requirements. For example, some countries require that foreign firms trying to enter these countries must first have an alliance with local firms.

The informal institutions are based on the idea that firms learn a lot from each other. Informal institutions center on collective norms supported by the normative pillar. A core idea of the institution-based perspective is that the cost is lower to copy what the other reputable organization is doing. The lower costs to gain legitimacy outweigh the risk of, in many cases, not knowing the direct performance benefit. By allowing firms to form alliances, they are able to share information and knowledge that will benefit both firms in the end and at a low cost.

Informal institutions stress the internalized, taken for granted values and beliefs that guide alliances and acquisitions. Many managers believe that alliances and acquisitions are the right thing to do. 20. Identify three of the four strategic choices for MNEs and list their advantages and disadvantages. ANS: Home replication is the easiest and usually first strategy implemented. Its focus is on providing an international replication of the home country-based competencies, including production scales, distribution efficiencies, and brand power.

Unfortunately, this strategy focuses on the way of conducting business familiar to the parent country. If the firm is looking to broaden their customer base outside their domestic locations, the strategy lacks depth. Failing to be mindful of foreign customers' needs and wants may result in alienation. (?? ,)

Localization (multidomestic strategy) focuses on taking the homegrown strategy to specific foreign markets, and then investing heavily into adapting

and creating the product or service to fit the local market. The strategy views the foreign countries as stand-alone local markets worthy of special attention.

This strategy maximizes local responsiveness, but it has a high cost due to duplication of efforts in multiple countries. It also tends to require local autonomy. Global standardization is a globally focused strategy where a firm seeks to standardize products worldwide to reap the maximum benefits from low-cost advantage. While this strategy minimizes local responsiveness, MNEs pursuing this strategy are not limited in basing their major operations from a home base. MNEs may designate centers of excellence, with the goal that the resources be leveraged across subsidiaries.

The strategy makes great sense in industries where there is pressure for cost reductions and where the pressure for local responsiveness is relatively minor. Unfortunately, in order to be standardized, the firm usually adopts a strong centralized control, which hinders local responsiveness. Transnational strategy aims to capture the best of both worlds with cost efficiency and local responsiveness. A third component of this strategy is global learning and diffusion of innovation. Traditionally, the flow of innovation has come from the home country to various host countries.

The underpinning perception is that the home country has the most talent under this one-way flow. Yet, there is no guarantee that the home country will generate the best innovations, given the inherent risk in business operations. Second, many of the subsidiaries through acquisitions have acquired a variety of knowledge capabilities. Ideally, in a transnational

silence unions. (???????????????? ,???????????????????? ,????????????????)

Throughout many developing countries, governments welcome MNEs and at the same time silence unions. In China, the right to strike was removed from the constitutions in 1992. Only 10% of the half a million foreign-invested firms in China have unions.

Interesting, Wal-Mart, which does not allow unions, agreed to the 31, 000 Chinese workers to organize unions. (???????????????????? ,??? ,???????? ,?? 10%????????????) 22. Describe the proactive strategy of approaching CSR.

Give an example and tell how this strategy is becoming more popular for internationalizing firms. ANS: The proactive strategy focuses on constantly anticipating responsibility and endeavoring to do more than is required. Many firms practicing a proactive strategy seek to reform their industry, rather than to simply meet required standards and regulations.

(???????????????????? A proactive firm does three things: First, it actively participates in regional, national, and international policy discussions. Second, it builds alliances with stakeholder groups. Third, it engages in voluntary activities that go beyond what is required by regulations.

(???????????? : 1.???????? ,???????????? 2.???????????? 3.????????) An example of this is when BMW designed easier-to-disassemble cars as a response to the German government's "take back" policy. This move spread across Germany and led to a national standard for automobile disassembly. ?? , BMW????????????????????????????????