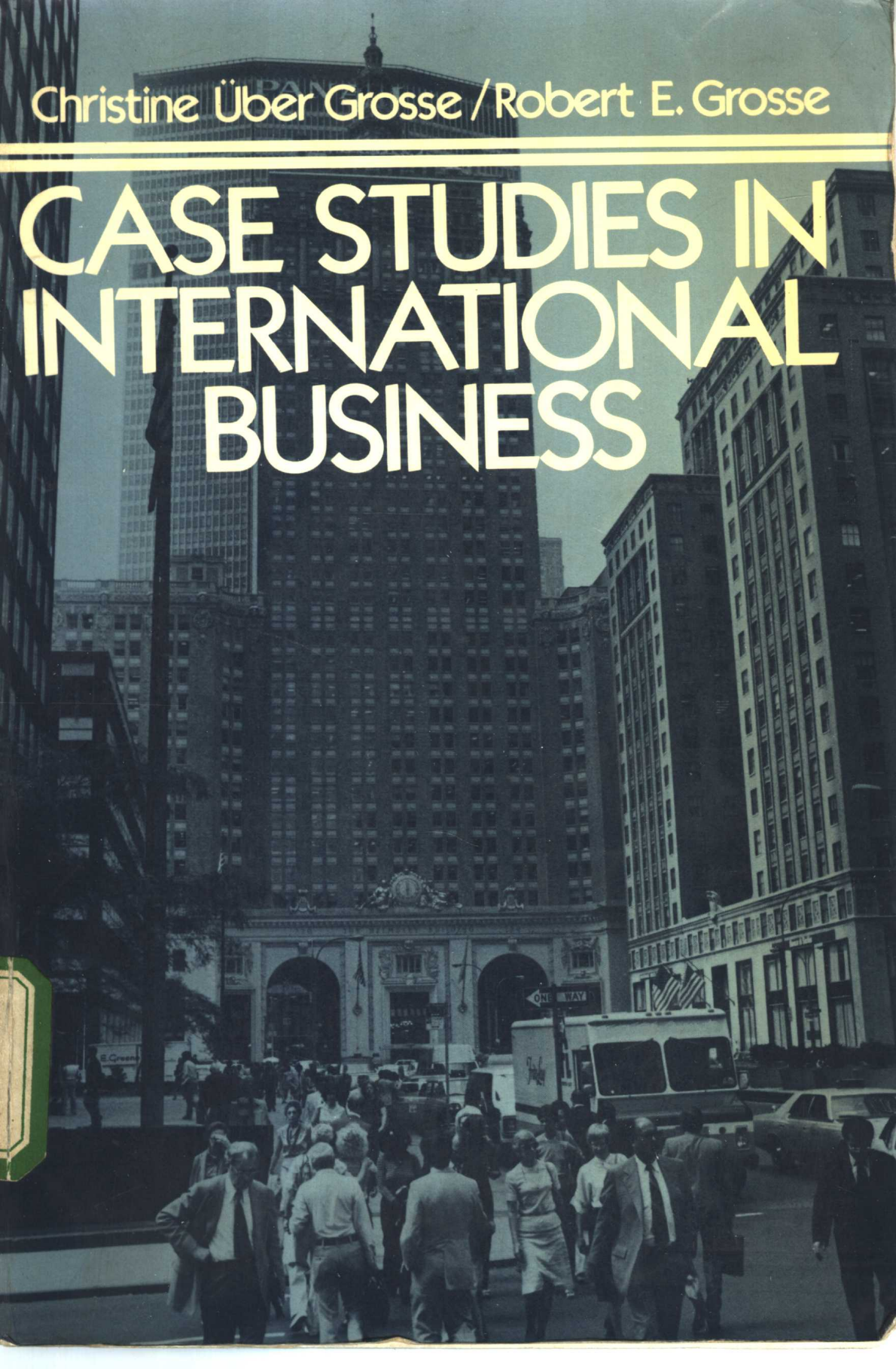


Christine Über Grosse / Robert E. Grosse

CASE STUDIES IN INTERNATIONAL BUSINESS



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INTRODUCTION ---

PURPOSE OF THE TEXT

Case Studies in International Business combines language and content instruction through the use of the case study method. It features relevant, current topics that are directly related to the students' future studies or current jobs in management, international trade, finance, and so on. The text presents actual cases about companies and managers facing real problems, and challenges students to develop their problem-solving ability as they analyze business situations and recommend appropriate courses of action. In the process, students will master the necessary business vocabulary through a wide variety of oral and written activities. The book's critical-thinking exercises encourage students to interpret key business issues through their own observations and experience, while research activities teach students to draw on resources of the local business community. The major goal of the text is to teach Business English by means of actual cases with language-focused exercises, thus bringing the realities of the business world into the classroom.

INTENDED AUDIENCE

The level of the text is high intermediate to advanced. Its intended audience is ESL/EFL students who are pursuing or planning to pursue academic studies in business, ESL/EFL students who want to go into business, and businessmen and -women who want to improve their English. With its focus on international business, the text is designed to meet the needs of students in countries around the world as well as in the United States, Canada, and Great Britain.

SELECTION OF CASES

Individual cases were selected to cover a wide spectrum of business situations and countries. Particular effort was made to offer cases in the areas of business strategy, marketing, finance, international trade, and cross-cultural management. These subjects are of great importance to businesspeople in any country. The cases present a mixture of situations facing large and small companies, from developed and less-developed countries, and in many industries. All of the cases involve either the United States as a target market or a U.S. firm as a participant in the situation. The particular business issue of concern in each case is noted in the table of contents.

All of the cases are drawn from actual business situations. "Monster Chomp Cookies" and "HongKong & Shanghai Bank" present recent decisions made by the firms named in the cases, and the authors discussed both cases in detail with managers in those firms. The other cases either use disguised company names or present generalized problems faced by many companies such as the ones mentioned.

In most cases, the student should take the position of a company decision-maker to carry out the analysis. However, in "The U.S. Auto Industry" and in "West African Electric," it is also useful to allow students to take the viewpoint of the government involved. Generally speaking, any international business activity affects the countries involved, so the view of the government would be relevant in each case. Since our goal is to get students to think as decision-makers in the cases, the normal focus should be on company decisions.

SUGGESTIONS FOR EFFECTIVE USE OF THE TEXT

Each chapter of *Case Studies in International Business* consists of (1) prereading exercises, (2) the case itself, (3) comprehension exercises, (4) vocabulary-development exercises, (5) critical-thinking questions, (6) research activities, and (7) a case-analysis section. A glossary of business terms appears at the end of the text for reference. In order to help the student and teacher use each section most effectively, the following suggestions are offered. The instructor's manual with answer key provides additional instructions and information related to the specific cases, as well as an answer key.

Prereading Exercise

The purpose of the four thought-provoking questions at the beginning of each chapter is to help the students focus on the essential issues to be presented in the case. Discussion of key issues acti-

vates the students' background knowledge about the topics treated in the case and facilitates reading comprehension.

The teacher may start the class discussion of the prereading exercise by asking for volunteers to read a question aloud. Then the teacher may encourage students to respond to the question and react to each other's responses. As the discussion progresses, the teacher may introduce new vocabulary that is necessary to the case.

The prereading questions are likely to generate other related questions and additional discussion of the topic. The teacher can take advantage of the student-directed discussion to draw further on students' experience, opinions, and background knowledge related to the topic. In this way, the students will be well prepared to begin reading the case description.

The Case

Each case focuses on an actual or simulated business situation that presents a real business problem that the students are challenged to solve in the case-analysis section. Subsequent exercises lead the student gradually to the solution of the case while building up background knowledge and structuring the decision-making process. Additionally, the case provides a meaningful context for the language, introducing valuable business terminology and concepts.

Given the level of detail presented in each case situation, the case should probably be assigned initially as homework reading. It then can be reread in class. In both situations, it is very important that the students do the prereading exercise prior to reading the case, so that their background knowledge is activated and reading comprehension is improved. Reading the case for homework, rather than in class, offers several advantages: more class time can be spent on communicative class activities and discussion, and students are free to spend as much time reading the case as they like.

Comprehension Questions

Comprehension questions give the student an opportunity to identify the main ideas, locate key facts, and discuss concepts that are introduced. These exercises are designed to develop specific reading skills such as identifying the main idea, locating key facts, and skimming and scanning the text for detailed information. In several chapters the comprehension section also includes chart- and table-interpretation exercises.

This section can be taught in a variety of ways. Using an interactive, communicative approach, the teacher may have the students work in pairs to answer the questions orally or in writing. They may alternate asking and answering the questions, responding to each

other's comments and strengthening their answers. Or the teacher may assign small groups of three to five students to discuss the answers to each question. In either instance, the teacher can circulate around the room to listen to the work of the pairs or small groups.

Another option is the whole-class approach, in which the teacher (or a student) reads the question aloud and asks for volunteers to respond.

Finally, the teacher may choose to assign the comprehension exercises as written homework, to be discussed orally or handed in at the next class meeting.

Vocabulary-Development Exercises

The purpose of the vocabulary-development exercises is to build business vocabulary through a variety of approaches, including paraphrasing activities, guessing the meaning of words from context, prefix and suffix recognition, and discussion of key terms and concepts.

Many of the vocabulary exercises lend themselves to a type of practice that involves oral communication skills rather than silent reading and written completion of the assignment. The teacher therefore can plan to let the students work in pairs on these exercises. Working with partners actively involves all students in the exercise and provides the opportunity for more oral interaction than in other approaches where only one student at a time can respond.

Critical Thinking

This section of each chapter challenges the student to use higher-level cognitive skills in making inferences, drawing conclusions, and making predictions about major issues in the case. In the critical-thinking questions the student is called on to use background knowledge, personal experience, insight, and understanding of issues presented in the text.

In order for the students to fully explore their ideas, the teacher may wish to assign them to work in small groups or with partners. In this way they can share their thoughts and experience in order to find reasonable answers to the questions. The pooling of ideas and discussion of issues help the students to develop oral language proficiency and communication strategies, while at the same time they provide them with valuable experience in reasoning and supporting their views.

Research Questions

The research questions serve a multitude of purposes. For example, they teach students how to utilize community resources, teach

research and interview techniques, provide an opportunity to use the language in real business settings outside of the classroom, allow development of listening and speaking skills in a meaningful context, and encourage reading of additional authentic materials related to the case study.

Through a variety of research activities, the student becomes familiar with the resources of the local business community, and has the opportunity to interact with businessmen and -women. Each assignment is task-oriented, and has specifically outlined instructions and objectives.

The teacher may choose to allow the students to work in pairs or teams on certain projects. At other times, the students may work individually to complete the tasks.

Case Analysis

The case-analysis section completes the study of each case. The format of the section varies, but it typically involves the students in small-group work. Their tasks, which are specifically identified, generally include: identification of the problem at hand, review of the case information, analysis of the situation and its implications, proposal and defense of alternative solutions, reactions to classmates' criticisms and suggestions, and choice of an appropriate course of action.

A learner-centered classroom is essential to the case-study method of analysis. The teacher intervenes as little as possible in the work of the small groups, allowing the students to take responsibility for their own learning. The teacher acts as a facilitator or guide when needed.

Students should remember that single or precise solutions to cases are rare. Often, more than one solution is appropriate. Therefore, a logical thought process, a careful situational analysis, and the ability to communicate the reasoning behind the recommendations for action are essential parts of the case analysis.

For the students, the benefits of the case analysis will lie in the opportunity for flexible and creative language use in a meaningful context, the development of critical-thinking and problem-solving skills, and the understanding of group dynamics. As participants in case analysis, students will gain practice in sizing up a situation, considering alternative ways to approach a problem, and making decisions regarding appropriate action. These skills will serve the students well in their business careers.

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1

THE XM COMPANY CASE (PART A)

Comparative advantage
in international trade



Photo by Robert E. Grosse

PREREADING EXERCISES

Discuss the following questions before reading the case.

1. What activities constitute international trade?
2. Why do companies engage in international trade?
3. Give examples of some companies that you know which conduct international business. What do they buy from suppliers in other countries? What do they sell to buyers overseas?
4. What are some important advantages that an exporter may have that enable the company to compete with local firms in the target (importing) country?

THE XM COMPANY CASE (PART A) --- ---

Introduction

International trade takes place when companies either find new markets to sell their products in foreign countries or find new sources of supply of products in other countries. Exports and imports combined for the United States equal about 20% of GNP (gross national product), and the percentage is even higher for most other countries.

A very important factor in determining which countries will be able to compete in exporting different products is the cost of production. For example, if steel costs \$300 per ton to make in Japan and \$400 per ton to make in the United States, then U.S. customers should buy (import) steel from Japanese companies. By the same reasoning, if an airplane costs \$4 million to build in the United States and \$5 million in Japan, then Japanese customers should buy (import) airplanes from the United States. In this example, the United States produces and exports airplanes, while Japan produces and exports steel. Each country has a *comparative advantage* in producing one product relative to the other.

Obviously, countries do not export and import—*companies* do. A company should utilize comparative advantage to decide where to produce its products. In the case below, a U.S.-based company sells many products in several different national markets. The problem is to choose whether to obtain fertilizer in the United States or France, and perhaps to consider buying phosphate for resale as well.

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The Case

XM Company is a Miami-based corporation involved in buying products from U.S. manufacturers for sale in Latin American and Caribbean countries. The company also finds U.S. markets for products imported from both Europe and Latin America. XM has twelve employees, including the general manager, a marketing vice president, a treasurer/controller, two sales managers, four operations people, and three secretaries. The firm's annual sales have run at about \$5.7 million during the past three years, after growing from \$200,000 in 1976, the first year of operations. Despite the various business-cycle problems that have occurred, this small firm has survived and is looking for ways to expand.

The general manager of XM is reviewing the profitable business that his company has had from importing fertilizers for central Florida farmers since the mid-1970s. The French supplier of XM's fertilizers (Agricosa) has always shipped high-quality merchandise, with few delays or other logistical problems. Recently, the possibility of competition from other suppliers has begun to worry the general manager. Fertilizer sales have been such a dependable part of XM's total sales that he does not want to lose that business.

Pricing, however, is becoming a problem. During the second major oil price hike in 1979-80, raw materials prices rose dramatically, such that XM's costs tripled by year-end 1981 to \$120 per ton for its medium-grade fertilizer. This price reflects only the f.o.b. cost of the fertilizer at shipment from the port of Le Havre, France. Fortunately for XM, demand for fertilizer by the firm's main customers in central Florida has remained high, even at the higher prices that XM passed on.

Recently the company has been notified by the U.S. Treasury Department that fertilizers probably will be added to the list of products valued at the "American Selling Price" for customs purposes. (Under American Selling Price valuation, the tariff charged on an imported product is calculated as a percentage of the current U.S. price, rather than as a percentage of the stated price of the shipment.) Such a policy could raise the tariff payment significantly, because U.S. prices are about 15 percent higher than the f.o.b. price from France.

Competitive problems for XM have intensified since another French firm, Gardinier, set up a phosphate mine and processing facility near Tampa, Florida. Phosphates are a major component in most kinds of fertilizer. So far, Gardinier has been exporting the phosphates back to its French fertilizer plant, but it is expected that

the company will soon begin making fertilizers in Florida. Gardinier ranks among the largest fertilizer producers in the world. At the present time, this French firm sees a cost of production of phosphates in Florida which undercuts the approximately \$20 per ton cost in France by 30 percent. (All of these numbers are from 1981; the French franc has been devaluing relative to the dollar by about 8 percent per year during the last eight years.)

The general manager of XM is quite concerned by these developments in his fertilizer importing business, which constitutes 25 percent of XM's total sales. Though no major problems have arisen yet, the future looks rather clouded. Demand for fertilizer seems likely to remain substantial, but price competition is becoming an important factor.

COMPREHENSION QUESTIONS

Scanning

Scanning means reading very quickly in order to find key facts or figures that are contained within a text. Scan the case to determine whether the following statements are TRUE or FALSE.

- ☒ 1. XM Company is a large corporation located in Miami, Florida.
- ☒ 2. Agricosa supplies XM Company with fertilizer.
- ☒ 3. XM Company has been in operation since 1976.
- ☒ 4. XM had to pay three times as much for its medium-grade fertilizer in 1981 as it paid in 1980.
- ☒ 5. Fertilizers have already been added to the U.S. Treasury Department's list of products valued at the "American Selling Price."
- ☒ 6. Gardinier is selling fertilizer in Florida.
- ☒ 7. The general manager of XM is worried about the major competitive problems that his company is facing now in the fertilizer importing business.
- ☒ 8. Competition in fertilizer sales in Florida may come eventually from Gardinier.

Understanding Facts and Figures

The XM Company case presents many figures concerning annual sales, price increases, tariffs, and costs of production. Check your understanding of the numerical facts that you read in the case. Scan the case study to find the correct answers to the following questions.

1. What were the annual sales of the XM Company in 1976? What have their annual sales been over the past three years? \$ 2000,000
2. How many people are employed by XM Company? \$ 5.7 million
12
3. How much did XM have to pay for medium-grade fertilizer after the 1979–80 oil price increase? \$ 120 per ton
4. Explain what the effect would be of placing fertilizers on the list of products valued at the “American Selling Price” for customs purposes.
5. What percentage of XM Company’s total sales comes from the fertilizer importing business? 25%

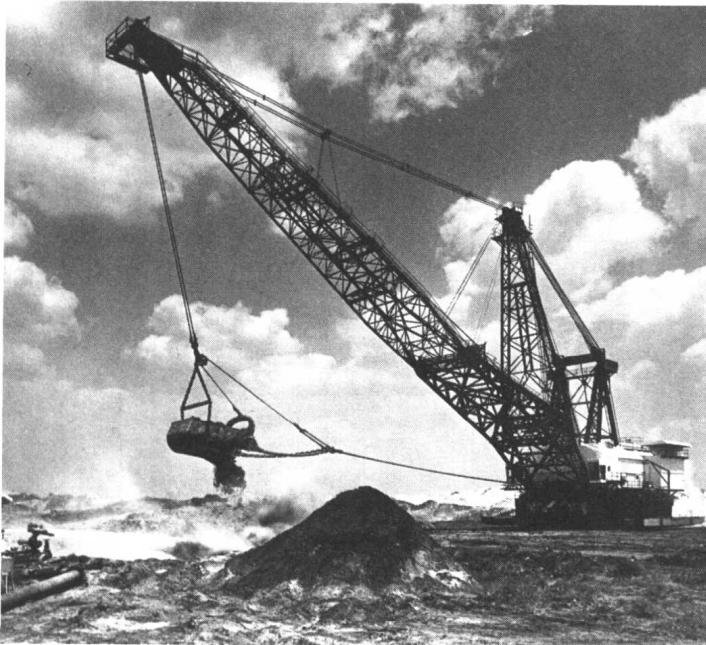


Photo courtesy of the Florida Phosphate Council

VOCABULARY DEVELOPMENT

Word Guess

Readers often use contextual clues to help them understand the meaning of unfamiliar words. By looking at how the unknown word fits into the sentence and by examining the meaning of surrounding words, a reader can learn to make an educated guess about the meaning of the unknown word. Work on the valuable reading skill of guessing the meaning of unknown words by choosing the correct meaning of the underlined words.

1. The U.S. government charges a tariff on imports in order to protect goods produced in the United States. Typically, the tariff is equal to 20 percent of the current U.S. price for the product.
 - ✓a. tax
 - b. price
 - c. savings
2. The area around Tampa, Florida, is the site of several important phosphate mines. Phosphates are a major component of most fertilizers. Gardinier, one of the largest fertilizer producers in the world, operates a phosphate mine and processing facility near Tampa.
 - ✓a. part
 - b. chemical
 - c. example
3. Demand for phosphates is likely to remain substantial for the next decade, since fertilizer is an essential part of the agricultural industry worldwide.
 - a. small
 - b. superficial
 - ✓c. quite high
4. Gardinier ranks among the largest producers of fertilizer in the world. With its mine and processing plant in Florida, this French firm takes advantage of the lower cost of production of phosphates in the United States.
 - a. sells to
 - ✓b. is one of the
 - c. counts as its customers