JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

Sixth TRIMESTER (Batch 2020-22)

ENDTERM EXAMINATION, April 2022

Course Name	International Business	Course Code	**IB601**
Max. Time	**2 hours**	Max. Marks	**40 MM**

Attempt all the questions
It is an open book exam
Don't exceed 200 words for each Answer.
Plag upto 15% is permissible.

Q1. The Indian tea industry is facing uncertainty after war broke out between Russia and Ukraine. United Planters Association of Southern India president M.P. Cherian said Russia was a significant market for Indian teas. Of the approximate volume of 145 million kg of annual tea imports by Russia, 40 million kg is from India. Close to 45% of these is from South India, he said. "We need to wait and see how the situation evolves. Tea exports saw a decline in 2021. As against 189.8 million kg exported totally between January and November 2020, it was 175.3 million kg in 2021. Ukraine is also a major importer of Indian tea. If tea exports to these two countries are affected, it will have an impact on the Indian tea sector," he said.

Dipak Shah, chairman of South India Tea Exporters Association, said India exports about 40 million kg of tea every year to Russia and close to 15 million kg to Ukraine. With the Russian invasion, exports to Ukraine are facing a problem, he said. The sanctions by western nations on Russia are not likely to affect small businesses. Exports to Russia are of two types - one based on rupee payments and the other on dollar payments. While there will be no issues with rupee payments, dollar payments may face problems, he said. "However, these are all assumptions of the trade," he said. Some foreign banks here have already said they would not accept export documents to these two countries. If the trend spreads to other banks, tea exports will face challenges, he said.

a) *Explain* the impact of Russia Ukraine war on international business. (7 marks)

b) *Illustrate* the impact of the war on economies like USA, European Union and China. (7 marks)

c) *Distinguish* between tariff and non-tariff barriers by giving suitable examples. (6 marks)

Q2. Founded in 1868 by Jamsetji Tata, the Tata group now consists of over 100 independent operating companies focused on seven business segments that span industrial products, consumer goods, and high technology. Twenty-nine of these companies, such as information technology specialist Tata Consultancy Services, trade as publicly listed firms that have a total market value of $131 billion; the remainder are privately held. The Tata group generated $100 billion in revenues in 2017 and employed more than 695,000 workers. Over 60 percent of its revenue is produced outside the domestic Indian market.

Founder Jamsetji Tata was among the first in India to implement progressive work practices such as shorter work hours. He established the JN Tata Endowment in 1892 to support Indian students seeking higher education. Other trusts, including the Sir Ratan Tata Trust and the Sir Dorabji Tata Trust, were created by his descendants to support initiatives in health, education, scientific research, and other fields. Various charitable trusts established and controlled by the Tata family now own two-thirds of Tata Sons, which in turn owns controlling (although often minority) interest in the various companies that constitute the Tata group. Each Tata company operates as an independent entity, with its own management team, board of directors, and shareholders. The Tata group, however, is proud of and concerned about maintaining the integrity of the Tata brand. To be able to use the Tata name, the independent companies must act according to the Tata Business Excellence Model. Individual employees must sign the Tata Group Code of Conduct, which stresses the importance of integrity, understanding, excellence, unity, and responsibility.

This commitment to integrity was heightened when Ratan Tata took over leadership of the Tata group two decades ago. He confronted a sprawling confederation of some 300 companies. He immediately sought to seek synergies from the firms in this diverse empire, while selling off unprofitable and underperforming units. Ratan Tata decided that many of the Tata companies had become inefficient, having been protected by the high tariff walls erected by the Indian government. He set about to improve the competitiveness of the group's firms by investing in R&D, improving training, and strengthening the Tata brand, particularly outside of India.

A key element of Ratan Tata's brand-strengthening strategy was to acquire foreign companies to aid the competitiveness of firms within the Tata group. In 2000, Tata Tea acquired Britain's Tetley Tea for $432 million. In 2004, Tata Motors purchased the struggling heavy vehicles unit of Daewoo Motors; in 2008, it purchased the Land Rover and Jaguar brands from Ford Motor Company for $2.3 billion. Tata Chemicals purchased control of Britain's Brunner Mond Group in 2005. In 2005, Tata Steel acquired Singapore's NatSteel for $300 million; in 2007, it purchased steel giant Corus, an Anglo-Dutch company, for $12.1 billion. Unlike many acquirers, Tata often leaves the management teams of its acquired businesses intact, but provides corporate support, investment capital, or other needed resources.

It usually sends Tata managers to learn from the new subsidiaries. In the case of Tetley, Tata was interested in learning about tea cultivation, product branding, and export development. Tata Global Beverages is now the world's second-largest seller of tea. In Corus' case, it was to learn about producing higher quality steel to meet the growing needs of India's motor vehicle industry. Tata Steel is now the world's seventh-largest producer of that product. And, to the surprise of many industry experts, Tata has made Jaguar Land Rover an important player in the luxury automobile market. It sold 604,000 vehicles in 2017, up 69 percent from 2012. These sales generated £1.6 billion in profits on £24.3 billion in revenues.

Despite these accomplishments, all is not well in the house of Tata. While Tata Motors' British operation is thriving, its domestic operation is not, due to the spectacular failure of the well-publicized but poor-selling Tata Nano. Tata Steel has been hemorrhaging red ink, losing an estimated £1 million a day as a result of overcapacity and weak prices that have plagued the global steel industry. After unsuccessfully trying to sell its huge Port Talbot steel works in Wales, it agreed to continue operations there only after local union members assented to substantial changes in their pension programs. While Tata Consultancy Services (TCS) is a leader in the global IT market, its business model is threatened by proposed changes in the H-1B visa program, which would hinder the ability of TCS to transfer employees to serve the lucrative American market. While the Tata group has benefited in many ways from its conglomerate structure, ironically this structure may be the biggest impediment to solving its problems.

Tata Sons typically is a minority owner of most of the operating companies in the Tata group—it owns around a quarter of the shares of Tata Steel and Tata Motors, for example. Because each of the Tata group companies are owned by different sets of investors, it is difficult for them to work together to capture economies of scale and scope and operating synergies. For instance, three Tata-affiliated companies have extensive retail operations in India, but cannot jointly bargain with suppliers or landlords to secure cheaper prices or better lease terms because they do not enjoy common ownership. And the managing and monitoring of this large and diverse corporate empire creates enormous demands on the time of senior executives: the chair of Tata Sons is estimated to spend 700 hours a year attending board meetings of the 100 separately owned independent operating companies. Some critics of the Tata group argue that its complicated ownership structure involving the Tata Trust, Tata Sons, and the independent operating companies slows down decision-making and delays selling off underperforming units. To complicate matters, the House of Tata is undergoing a chaotic changing of the guard. Ratan Tata retired as the chairman of Tata Sons in 2012, but retained control of the Tata Trusts. His successor, Cyrus Mistry, was the first non-family member to chair the organization. But Mistry and Ratan Tata soon disagreed on a variety of policy issues. Mistry, for example, lobbied to terminate production of Tata's money-losing small car, the Nano. Ratan Tata blocked the move. Mistry was fired as the Tata Sons chairman in October 2016 and Ratan Tata was named his temporary replacement. His permanent successor, the former CEO of Tata Consultancy Services, Natarajan Chandrasekaran, became group chairman in February 2017.

a) Many corporate takeovers involve the acquiring firm installing its own managers and slashing the payrolls of the acquired firm. *Explain* the reasons why has Tata chosen to retain the existing management teams of the foreign companies it has taken over? (6 marks)

b) The Tata group has a strong commitment to high ethical standards and corporate social responsibility. Does it gain any competitive advantages in the marketplace because of this commitment? *Comment*. (7 marks)

c) What advice would you give to Natarajan Chandrasekaran, the newly installed chairman of Tata Sons? *Identify* the primary challenges that he faces? *Highlight,* what changes, if any, would you recommend him to make to the Tata group's policies and procedures? (7marks)