

- N.B. :** (1) Question 1 is compulsory and carries 20 marks
 (2) Attempt any four questions from Question 2 to 7
 (3) Marks for each question is indicated alongside
 (4) Attempt **five** questions in all.
 (5) Make relevant assumptions where required, and state them clearly.

1. Read the following case and answer the questions below.

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Mr. Smith, Head, Global Sourcing of Monitor Industries faced a decision to cut off one of the major suppliers of Indian Rugs due to use of child labour which was explicitly banned by Monitor. A partnership of manufacturers, importers, retailers, and Indian NGO's were proposing to issue and monitor the use of "Rugmark"- a label put on carpets certifying that they were made without child labour.

Monitor's environmental concerns began with a public outcry when its plywood and particleboard furniture emitted more than the allowed limits of formaldehyde, a chemical used in binding glue in the materials which caused burning sensations in the eyes, throat, and lungs and was deemed harmful. The company was fined, and sales in Denmark fell 20%. Thereafter, the company began focusing on broader environmental issues. The company learned that International Labour Organization (ILO) Convention 138, ratified by 120 countries, committed them to abolish all child labour below 15 years of age. India was not a signatory, but Monitor inserted this clause in all supplier contracts. The company appointed a third party to monitor child labour practices in India. India was the largest source for carpets and rugs. Child labour in India was estimated at 60-115 million by Human Rights Watch. Of this, an estimated 200,000 were employed in the carpet industry. The Indian government considered this a socio-economic phenomenon, arising out of poverty, and lack of development.

Mr. Smith travelled to India to meet the supplier, unions, politicians, activists, NGO's, UNICEF, and carpet export organizations to educate himself. On one of the trips, he learnt about the "Rugmark Foundation", an industry response to the child labour problem in the Indian carpet industry, promoted by the Indo-German Export Promotion Council. Monitor was keen to sign up with Rugmark for carpets sourced from India. Then, in the spring of that year, a

[Turn Over

well-known German Documentary film maker notified the company that a film he had made was to be broadcast on German TV showing the use of child labour in the looms of the supplier under consideration. The German TV was aiming to take a confrontationist and aggressive approach aimed directly at Monitor and one of its suppliers, and invited the company to take part in a live discussion during the airing of the programme.

Mr. Smith had to decide whether to recommend that Monitor participate in the programme, or decline the invitation. He had to also decide how to deal with the supplier's apparent violation of the contractual commitment it had made not to use child labour, and finally, whether the overall approach taken by Monitor on the issue of child labour was appropriate

Questions:

- (a) Is the approach to child labour taken by Monitor appropriate?
 - (b) Should the company continue to deal with the issue through its own relationships with suppliers? Or should it allow Rugmark to monitor the use of child labour?
 - (c) Should Mr. Smith accept or turn down the invitation from German TV?
 - (d) What long-term strategy should Monitor adopt in India? Should it accept the socio- economic realities of countries like India, and simply withdraw, or continue to operate in India?
2. What is the difference between outsourcing and offshoring? Clearly enumerate what factors will determine your choice between these options with suitable examples? **10**
3. Mahindra and Mahindra acquired the Italian automobile design studio Pininfarina. Will this help Mahindra make a success of its struggling car business? What are the issues the company will face in transferring the advantages from Pininfarina to India? Explain? **10**
4. How will you use Perlmutter's EPRG model to Identify a head of your subsidiary in a foreign market? What are the pros and cons of choosing this model for this purpose? **10**

[Turn Over

5. Discuss Strategic Alliances as a mode of entry in international business with suitable examples. What are the advantages and drawbacks of this mode? **10**
6. How do companies manage forex risk when they trade in multiple currencies? **10**
discuss the different methods.
7. Write Short Notes on any **two** of the following: **10**
- (i) ASEAN
 - (ii) WTO
 - (iii) IMF (International Monetary Fund)
 - (iv) MFN (Most Favoured Nation)
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