FEEDBACK TUTORIAL LETTER

1st SEMESTER 2019

Assignment 01 & 02

FOR

INTERNATIONAL BUSINESS MANAGEMENT
(IBM811S)
Dear IBM811S students

Herewith find the tutorial feedback for the two assignments. It was a pleasure meeting all of you. You showed hunger for learning which I applaud you all for. It was a very participating class indeed. I wish you the very best in your future endeavours.

Scholarly,

Dr Asa

Assignment 1

1. B
2. A
3. C
4. C
5. B

2.1 There are many advantages of globalization. From a broad perspective, globalization creates economic activity (which stimulates economic growth), creates jobs, raises income levels, and provides consumers with more choices regarding the products and services that are available to them.

From the perspective of an individual firm, globalization has the potential to increase revenues (through expanded market potential), drive down costs (through additional economies of scale), and boost profits. However, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution.

Critics argue that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. Critics also
argue that globalization encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries to avoid the more stringent pollution controls in place in their home countries.

2.2 The cultural relativism approach is the belief that ethics are nothing more than the reflection of a culture and accordingly, a firm should adopt the ethics of the culture in which it is operating. This approach is often summarized by the maxim “When in Rome do as the Romans.” Cultural relativism does not stand up well to business ethics because it suggests that if a culture allows slavery, then it is acceptable for a firm to use slaves as well. Cultural relativism implicitly rejects the idea that universal notions of morality transcend different cultures, however, some universal notions of morality are found across cultures.

In addition to understanding business ethics as social responsibility of an organization, there is a position of relativism, i.e. recognition that people are not able and have no right to decide what is good or evil. According to relativism, ethics is relative and depends on social and cultural circumstances, in which organization is located. Cultural relativism asserts that there are no universal moral standards, in accordance with which moral and ethical norms of another society/organization can be judged.

The concept of cultural relativism takes on additional significance, when it comes to the competition of companies on the global level. Multinational corporations often adhere to local laws and customs, which may contrast with ethical norms accepted in their countries. Discussions on apartheid involve the issues of cultural relativism, e.g. whether MNCs adopting cultural relativism philosophy can justify their participation in the extraction of gold and diamonds in South African mines, despite the usage of slave labour. However, cultural relativism suggests that diversity promises more opportunities than uniformity and homogeneity. The solution of contradictions in cultural relativism is seen in contracting on the equality of terms for all the participants of market competition.

2.3 The value systems and norms of a country influence the costs of doing business in that country. The costs of doing business in a country influence the ability of firms to establish a competitive advantage in the global marketplace. It can be argued that the class-based conflict between workers and management in class-conscious societies, when it leads to industrial disruption, raises the costs of doing business in that society. Some sociologists have argued that the ascetic “otherworldly” ethics of Hinduism may not be as supportive of capitalism as the ethics embedded in Protestantism and Confucianism. Japan’s emphasis on group affiliation, loyalty,
reciprocal obligations, honesty, and education, all boost the competitiveness of Japanese companies. But as important as culture is, it is probably less important than economic, political, and legal systems in explaining differential economic growth between nations.

International business is different from national business because countries and societies are different. Societies differ because their cultures vary. Three important implications for international business flow from these differences. The first is the need to develop cross-cultural literacy. There is a need not only to appreciate that cultural differences exist but also to appreciate what such differences mean for international business. A second implication centers on the connection between culture and national competitive advantage. A third implication looks at the connection between culture and ethics in decision making.

**Assignment 2**

1. B
2. B
3. B
4. D
5. D

2.1 Capitalism is an economic and social system in which capital and non-labor factors of production, or the means of production, are privately controlled; labor, goods, and capital are traded in markets; profits are taken by owners or invested in technologies and industries; and wages are paid to laborers. Though capitalism has developed incrementally since the sixteenth century, Scottish philosopher and economist Adam Smith is largely credited with outlining the theory in its most fully-fledged form in his 1776 tome *An Inquiry into the Nature and Causes of the Wealth of Nations.*
Modern socialists trace their intellectual roots to Karl Marx. Marx argued that the few benefits at the expense of the many in a capitalist society where individual freedoms are not restricted. While successful capitalists accumulate considerable wealth, Marx postulated that the wages earned by the majority of workers in a capitalist society would be forced down to subsistence levels. He argued that capitalists expropriate for their own use the value created by workers, while paying workers only subsistence wages in return. According to Marx, the pay of workers does not reflect the full value of their labor.

To correct this perceived wrong, Marx advocated state ownership of the basic means of production, distribution, and exchange (i.e., businesses). His logic was that if the state owned the means of production, the state could ensure that workers were fully compensated for their labor. Thus, the idea is to manage state-owned enterprise to benefit society, rather than individual capitalists.

### 3.1 Answers should be in this regard:

<table>
<thead>
<tr>
<th>Cultural distance</th>
<th>Administrative distance</th>
<th>Geographic distance</th>
<th>Economic distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different languages</td>
<td>Absence of colonial ties</td>
<td>Physical remoteness</td>
<td>Difference in consumer incomes</td>
</tr>
<tr>
<td>Different ethnicities</td>
<td>Absence of shared monetary or political association</td>
<td>Lack of common border</td>
<td>Differences in costs and quality of resources:</td>
</tr>
<tr>
<td>Lack of connective social networks</td>
<td>Political hostility</td>
<td>Landlocked</td>
<td>- Natural</td>
</tr>
<tr>
<td>Different religions</td>
<td>Government policies</td>
<td>Size of country</td>
<td>- Financial</td>
</tr>
<tr>
<td>Different social norms</td>
<td>Institutional weakness</td>
<td>Weak transport’n or communication links</td>
<td>- Human</td>
</tr>
</tbody>
</table>

**Adaptation:** Customization of product or services to local market.

**Aggregation:** Globally (or regionally) standardized product and services

**Arbitrage:** Making profit out of distance
3.2 Discussions should be in line with the below porter’s five forces