



International Management I (WS 2001/2) – Final Exam
Course No: 1441, Lecturer: Prof. B. Wolff

You have 1 hour to solve the problems with a maximum of 60 points. Please remember the following hints:

1. Use the theoretical tools and terminology you have learned in class and from the readings.
2. Make sure there is a clear structure in your argument. (Use some time to sort your ideas before you start writing the version you want to submit, esp. if you answer B).
3. Use the time you have! If you are ready much earlier than we planned you should wonder if you forgot something.
4. Remember: people have to be able to decipher what you write.
5. Leave a margin for our comments, so we can give you a more detailed feedback than just the number of points.

Here is the set of problems:

Please solve either problem(s) A or B (maximum 60 points):

(You are welcome to use a dictionary.)

A) Answer four of the following five questions (max. 12,5 points each):

1. Explain why an entrepreneur's expectations about his/her business partner's behavior in an international transaction might be more unrealistic than expectations in a noninternational deal.
2. Analyse and compare two alternative modes of foreign market entry with respect to the allocation of property rights. Why does the allocation of property rights matter?
3. Distinguish and explain the notions of "comparative advantages" and "competitive advantages". You are welcome to use an example to illustrate your findings.
4. Describe contract enforcing mechanisms (internal as well as external) which managers can use in international business transactions. Why are they – or some of them – different from "national" enforcing mechanisms?
5. Assume you are an exporter. Explain three alternative ways to use third parties to make sure you get paid after delivering the goods.

B) Solve the following problem (max. 60 points):

Read the following press release by Condomi AG. Analyse and explain the relevant risks and opportunities for Condomi from this deal.

CONDOMI goes Kenya

Letter of Intent signed for first condom manufacturing Joint Venture in Africa

Germany's largest manufacturer of high quality condoms, the CONDOMI AG, is prepared to form a joint venture to establish the first Euro-African condom manufacturing plant in Africa. The local partner will be Olago Enterprises Kenya. The factory with an initial capacity of 100 million condoms per year and an initial investment of about 2.5 million USD will be located in Kenya's capital Nairobi. According to current statistics and estimates the demand for condoms in Kenya has increased by more than 250% within the last three years and will further rise in the next years due to recently changed HIV-prevention policies of the Kenyan Government. AIDS has been declared a 'National Disaster' by His Excellency The President of Kenya, Daniel Arap Moi in November 1999. He urged Kenyans to use all means of protection including condoms to prevent further spread of the disease. According to international and local experts, requirements are expected to reach up to 650 million pieces until the end of the year 2003 in Kenya alone.

Dr. Mboya, the head of the National AIDS/STD Control Program is convinced, that with the current momentum in HIV/AIDS awareness creation in Kenya, the attitudes and sexual behaviour of Kenyans will change towards safer sex. It is hoped, that condom use will increase especially amongst the most vulnerable social group, that is the young people both in rural and urban areas. The local joint venture partner points out that the future venture will manufacture high quality condoms that are affordable, accessible, suitable and acceptable to the local population. "With our joint company, we plan to aggressively market our products in Kenya as well as in the neighbouring countries to locally provide the right products for all AIDS prevention efforts". Oliver Gothe, Member of the Board of CONDOMI AG Germany describes his further plans: Besides production, intensive education and communication activities are planned by the future company CONDOMI HEALTH KENYA. The project will be based on a feasibility study conducted by CONDOMI and supported by DEG-German Investment and Development Company as part of their Public Private Partnership Program (PPP) and is aligned with the bilateral government policies of both countries.

As of 30th November 1999 CONDOMI AG is quoted on the German Stock Exchange and is also member of S.M.A.X.

Please contact:

Dr. Volker de l'Homme de Courbiere,

Member of Board, Finances, CONDOMI AG

Im MediaPark 6

50670 Köln

Germany

phone: 0049-221-5743-7777

fax: 0049-221-5743-7779

e-mail: ag@condomi-ag.de

<http://www.condomi-ag.de>

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Good Luck!