



Lecture International Management II (ST 2006) - Final Exam

Course No.: 1189; Lecturer: Prof. Dr. Birgitta Wolff

Final Exam

In the Final Exam to this class, you will have one hour to solve the problems with a maximum of 60 points. There are a few pieces of general advice we can offer at this stage:

1. Use the theoretical tools and terminology you have learned in class and from the textbook.
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 part A or part B (max. 60 points)!

You are welcome to use a dictionary!

Part A (max. 60 points)

Answer only 4 of the following 6 questions! (max. 15 points for each question)

1. Explain possible ways of managing corporate collaborations. Describe the related pros and cons of each of the forms.
2. Explain the categories which Hofstede uses to characterize different cultures. Compare two countries' cultures of your choice using Hofstede's scheme.
3. Discuss five typical, common mistakes made in cross-cultural business negotiations. What are the reasons for these mistakes from an economic perspective?
4. Offering a corporate car as a part of a worker's compensation package would probably be a „suicide incentive“ for a Japanese worker in Japan. In Germany such a benefit can greatly contribute to a worker's motivation. Explain this phenomenon and its consequences using economic methods.
5. What can a manager do to induce and ensure cooperation in a team?
6. State governments can act as partners and/or rule makers in international business. Give three examples of how the state of Georgia (U.S.A.) fills these roles in order to attract (foreign) investors.

Original

Part B (max. 60 points)

A380 delays spurs shake-up

By Carter Dougherty, International Herald Tribune
Published: July 2, 2006

FRANKFURT Noel Forgeard, the co-chief executive of EADS, stepped down Sunday as part of an executive shake-up at the company, a European aerospace giant. The resignation put an end to Forgeard's stint at the top after only a year but stopped short of imposing a thorough reorganization on the French-German management structure. Forgeard, of France, stepped aside amid intense criticism over delays in the production of the Airbus A380, a superjumbo jet, and his own sales of shares in EADS, or European Aeronautic Defense & Space. He will be succeeded by Louis Gallois, the head of France's state-owned railroad, SNCF.

Gustau Humbert, the chief executive of Airbus, which is controlled by EADS, the French-German-Spanish concern, also resigned Sunday. Humbert, who said his departure resulted from the jet delivery problems that have weighed on EADS's stock, will be succeeded by Christian Streiff, the deputy chief executive of the French building materials group Saint-Gobain. "As president and CEO of Airbus, I must take responsibility for this setback and feel the right course of action is to offer my resignation to our shareholders," Humbert said in a statement. The two replacements leave largely untouched the structures at EADS that have preserved a balance among its chief shareholders: the French government and the Lagardere Group of France on one side and DaimlerChrysler of Germany on the other.

In another sign that this principle remains sacrosanct at EADS, the changes will elevate the standing of Thomas Enders, the German co-chief executive of EADS, while putting a Frenchman back in control of Airbus after a year in which it was run by a German. Streiff will report to Enders, whereas his predecessor reported to Forgeard. Enders, a former DaimlerChrysler executive, will assume responsibility for handling the Airbus "shareholders committee," a function Forgeard had also fulfilled. Gallois, currently an EADS board member, has previously served as chief executive of the airplane engine manufacturer now known as Safran. Gallois, 62, was also chief executive of Aérospatiale, one of the component companies of today's EADS, from 1992 to 1996. Streiff, a French citizen, will head to Airbus with a background in companies that straddle borders. He has experience running operations in Germany, France, Italy and the United States. Streiff, 51, assumed the No. 2 spot at Saint-Gobain in 2004. In a nod to the problems at Airbus that led to the current crisis at EADS, the company also voted to "closely integrate" the jet manufacturing division into EADS itself. EADS controls Airbus, but the British company BAE Systems is selling its 20 percent stake in the plane maker, and EADS said the restructuring would take place as soon as this transaction was completed. BAE said on Sunday that Rothschild, the investment bank, had set a price of €2.75 billion, or \$3.50 billion, for the stake in Airbus.

The turn of events completes the downfall of Forgeard, 59, an ambitious executive who fought to run EADS alone but who has battled to keep his job over the last several weeks amid intense public criticism and the staid silence of President Jacques Chirac. Forgeard's onetime political mentor whose support was instrumental in putting him at the top of EADS. But Forgeard, who had run Airbus until last year, alienated vast swaths of European public opinion - and apparently, his own shareholders - by first blaming delays in the delivery of the A380 on the factory in Hamburg that produces the plane's fuselage. Though he later softened his tone, Forgeard struck a defiant note as recently as Wednesday when he defended his conduct to French legislators. The French state owns 15 percent of EADS.

Forgeard's handling of his personal finances led to widespread calls for his resignation. Forgeard sold EADS stock shortly before a March 20 announcement that DaimlerChrysler and Lagardere would be reducing their stakes in EADS, and three months before news of the A380 delays erased billions of euros from EADS' market value. French regulators are now investigating possible insider trading violations as a result of the sale. Forgeard has denied wrongdoing. Humbert, 56, a German, was a less polarizing figure than Forgeard, but nevertheless paid the price for the A380 delays that seem to have their origins in wiring problems that originated last year, while Forgeard was still co-chief executive of Airbus. Humbert had been the first non-French chief at Airbus.

But a thorough revamping of the "shareholders' pact" that created EADS six years ago proved to be a step too far. Though some French officials had called for changes to the agreement, which limits the French government to an advisory role on strategic questions at EADS, the two main shareholders - Lagardere and Daimler - had suggested the current by simply replacing Forgeard and Humbert. Thierry Breton, the French finance minister, had suggested a greater role for the French state, but German officials publicly emphasized the need to mainly, the equal roles played by companies and governments in both countries at EADS.

What might be the motives of governments to retain power in privatized companies? Read the text carefully and explain your findings using economic theory.