



Eastern University, Sri Lanka
Faculty of Commerce & Management

Third Year- First Semester Examination in BBA - 2009/10 (Proper)

MGT 3033 – Business Environment

Answer all Questions

Time: Three Hours

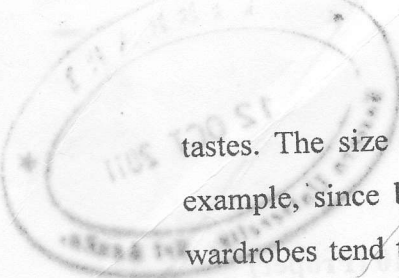
Q1. Read the case study and answer the questions given below.

Exports success to foreign market

Numerous companies have confronted the challenge of exporting American retail shops abroad and have failed. Pier company, through, plans on succeeding. With a well thought out. Rational strategy, the 31-year-old, \$700 million novelty store has ventured overseas with the pier in the united Kingdom. It is planning more international expansion during the next few years. At the heart of Pier's overseas strategy lies a strong customer focus, which guides the company's domestic strategy as well. According to Director of merchandising Adrian Long, Pier has a tradition of "moving with the customers." As the customer has matured, so has Pier.

Opportunities in the United States appear to be dwindling though, sales were up only 7% from 1991 to 1992, contrasted with double-digit growth rates during the late 1980s. pier is not abandoning its domestic efforts-actually, the company plans to open 300 new outlets during next ten years.-but it is keenly looking abroad for more exciting opportunities. The Pier in the United Kingdom is merely a first step, followed by two stores in Puerto Rico opened in 1993. next on the list are stores in Mexico and Central and south America. At the same time, the company is looking eagerly toward the Far East for additional possibilities. By the year 2000, Pier hopes to have about 250 stores abroad, outside the United States and Canada.

Pier is not expanding overseas blindly. To hedge its risk, the company is working primarily through mechanisms, such as joint ventures and licensing arrangements that minimize the risk to which it is exposed. Pier owns only 50 percent of United Kingdom-based the Pier. In order to be competitive in foreign markets, Pier has made several significant changes in its international strategy, particularly with regard to product mix. In the united Kingdom, Pier is offering products more in line with local



tastes. The size and layout of European homes tend to dictate different needs. For example, since built-in and walk-in closets are rare in the United Kingdom, closet wardrobes tend to sell well there. Similarly, since European homes tend to be smaller than American Homes, furniture items sold in the U.S market, such as beside tables, are too large and must either be modified or discontinued. Color preferences also vary overseas as a result of the quality of outdoor light. In the United Kingdom, warm colors tend to prevail, such as pale yellows, warm greens, and Greece, however, whites, azure blues, bright yellows, and reds tend to be preferred. With regard to other goods, Pier is finding it necessary to accommodate a variety of cultural appetites. In the United Kingdom, Indian goods sell well as a result of the trading history between the two countries.

Even with its attention to cultural details, what Pier recognizes is that the company is not about the specific goods that line the shelves; rather, the company is about the shopping experience it provides, buoyed by colorful, exotic merchandise. Pier can thus remain true to its central role without offering the same goods in every store around the globe. "You can live the rest of your life and never go into a Pier store, because we don't sell anything that you have to have," says President Marvin J. Girouard. But the goods are so enticing that the customer often can not help but make a purchase.

The key to Pier international success lies in getting close to customers abroad, an ambition that falls squarely in line with its domestic strategy. Pier must become acclimated into the cultures in which new stores are located to be able to determine what those cultures sold at moderate prices and displayed in an intergraded fashion-as the outlets in the United States successfully do with goods that Americans consider unique.

Questions:

1. Define the term 'risk' and what risks did the Pier face in going international in this case? (08 Marks)
2. How were the risks managed in this case? (10 Marks)
3. What problems may arise if Pier were to decide to open stores in Japan? (10 Marks)

(Total 28 Marks)

- Q2. a) "Governments intervene in a market economy in order to promote efficiency." How does Sri Lankan government involve in the economy? (06 Marks)
- b) What are fiscal policies? and illustrate how the federal government could stabilize the economy during periods of hyperinflation or severe unemployment. (07 Marks)
- c) "Organizations cannot separate from their environment" do you agree with this statement? Describe. (05Marks)
- (Total 18 Marks)**
- Q3. a) List out the challenges of global financial crises in Sri Lanka. What actions that are implemented by Central Bank of Sri Lanka to manage this situation? (06 Marks)
- b) "Globalization is dependent on communication technology, and communication technology is in turn dependent on globalization." Do you agree or disagree with that statement. Explain. (07 Marks)
- c) What are the pre planning activities you would undertake to conduct effective international meeting? (05 Marks)
- (Total 18 Marks)**
- Q4. a) List out the measures taken by central bank to control inflation, and explain the impact of these measures on business environment. (06 Marks)
- a) Write short notes on the followings
- I. System theory
 - II. Classical theory
 - III. Keynesian theory
- (03*04=12Marks)
- (Total 18 Marks)**
- Q5. a) Why are the cultural differences important for organization competing globally? (05 Marks)
- b) Why new kinds of organizations emerge for the conduct of global business? (06 Marks)
- c) List major elements of external environment you would want to scan to improve profits of a retailing business you may own in future? (07Marks)
- (Total 18 Marks)**