



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF BUSINESS ADMINISTRATION

SPECIAL/ SUPPLEMENTARY UNIVERSITY EXAMINATION

FOR:

MASTER OF BUSINESS ADMINISTRATION

STRATEGIC MANAGEMENT OPTION

BMG 5202::MANAGING ACROSS CULTURE

SPECIAL SUPPLEMENTARY EXAMINATION

SERIES: SEPT. 2017

TIME: 3HOURS

DATE: SEPT. 2017

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question **one**(compulsory) and any other **Three** questions.

Do not write on the question paper.

QUESTION ONE

Read the following case study and answer the questions that follow it.

McDonalds Crisis Management in India

Within hours of the story breaking that McDonalds in the U.S had been using oil with beef extract for cooking its fries, the burger giant's Indian operation knew it had a crisis on its hands. The region's Hindu and vegetarian consumers were furious that they might have been eating products cooked with beef, breaking a deeply held taboo.

On May 4 – a day after the story broke in in the U.S- the Indian national media had splashed the story, but also pointed out that McDonalds India fries and vegetarian products use no beef or pork flavoring. That reassurance failed to cut any ice with local activists and within a matter of hours the golden arches of the Big M were under siege. Ironically it was cosmopolitan Mumbai (Bombay) that reacted more than the sensitive northern region of India, which preferred to wait for an official explanation first. Mumbai's Thane outlet was vandalized by an angry mob of political fundamentalists, who have never been keen on the western company's presence in the market.

The McDonalds outlet near Mumbai's CST railway station was also picketed and cow dung was dropped all round the building. The western city of Pune, some three hours' drive from Mumbai, was however peaceful since the fast food giant had coincidentally just a week earlier conducted media tours of its outlets, kitchens, and facilities and they were happier to accept McDonalds India's crisis management machinery had already realized a strong reaction to the news was likely and had held a meeting to discuss what steps to take.

More than 80 percent of the country's one billion strong population is Hindu, and even in a cosmopolitan city the Mumbai, half of those eating at McDonalds are vegetarian. That's no small fry since 3.5 million customers visit its India outlets each month. Revenue growth for India operations has been 80 percent every year since its first outlets opened in 1996 in Mumbai and Delhi. Firefighting the crisis was coordinated effort between the north and west, since McDonalds has two joint ventures in India. In Mumbai on the western region, AmitJatia's company Hardcastle Restaurants owns and manages Big M restaurants in a 50:50 equity partnership between his family and McDonalds India. The north comes under the Delhi-based Connaught Plaza Restaurants in a 50:50 equity partnership between McDonalds India and owner VikramBakshi.

Back to May: AmitJatia and his staff huddled together with PR specialists from Corporate Voice Shandwick, and men from Mudra DDB, corporate affairs and legal experts. Police security for all outlets was first red alerted. Then, posters were made from office printers with the headline, "100 percent vegetarian French fries in McDonalds India". Below this were various bullets of information such as "No flavors with animal products/ extracts are used for preparing any vegetarian products in India". The posters were plastered all over the Big M outlets.

We had done nothing wrong so we could afford to be bold. We could have been arrogant and said that we don't use beef flavoring in our fries, so why should we be attacked? Instead we kept all lines of communications open and supplied all proof and samples, says Jatia. They also met with key press, politicians and associations and supplied them with product samples and information.

The main imperative was to supply proof. On the day the story broke in India, McDonalds submitted samples of the fries to leading laboratories in Pune and Mumbai, such as the council of fair business practices as well as dairy central food in technical research institute. Tests were quickly done by the BMC (Bombay Municipal Co-operation and FDA (Food and Drug Administration) and local political parties. It took a week but the results were clear- no beef or meat in the oil or products rapidly passed to the press. The results were also posted in the various outlets and put as inserts in the Daily papers in sensitive areas like Bombay and Thane district.

On May 5, a packed press conference was held in Mumbai and Delhi. Lamb Weston and McCain foods, its fry's suppliers, were present and supplied copies of clearance certificates once again showing there was no chemical or ingredients used with animal fats. On May 6 six press ads from Mundra DDB, on similar lines as the poster, were run across mainstream dailies of the Times of India (for Mumbai); Hindustan Times (for Delhi); GujaraSamachar and Loksatta in English, Gujarati and Marathi languages respectively.

Meanwhile it has been business as usual for all Big outlets everywhere. Even the company's worse-hit Thane office was re-opened within 24 hours and its ambitious expansion plans are on line. By 2003, there will be 80 Big M outlets in the north and west of India. Hardcastle already has 11 outlets across Mumbai and Pune and soon Gujarat will be opened. Bangalore will also launch but under the franchise route since the investments would be too high, adds Jatia. About 17 outlets at the northern markets of Delhi, Mathura and Jaipur, interestingly, since the fry's fracas, the product mix in sales has remained unchanged. The vegetarian contributions remain at 55percent and non-vegetarian at 45 percent, says Jatia. And for French fries, the average units per store sold actually increased by 15 percent over the previous year.

In the wake of the US fries episode, McDonalds will be stressing the vegetarian-friendly nature of its menu and manufacturing more than ever, says Jatia. More media tours are on line to bring all these consumer friendly efforts to the public eye. But for now McDonalds India management's rapid response and openness about the issue seems to have averted serious damage to brand business.

Required:

- a) Based on the facts of the case, what are the various cultural issues the McDonalds should have considered when expanding internationally especially in the Indian market? (10 marks)
- b) What social cultural factors would you suggest should be considered by firms engaged in international business like McDonalds? (15 marks)

QUESTION TWO

a) “Cultural diversity has become a hot button issue when applied to the work place. Women, older workers, minorities, physically challenged people and those with more education are entering the workforce in a record numbers.”

Discuss the factors responsible for the emergence of diversity (10 marks)

b)“Experts agree that culture shock has stages and all agree that once people get beyond the initial and most difficult stages, life in a new country becomes a lot better.”

Illustrate the stages people go through with culture shock (15 marks)

QUESTION THREE

You are a British manager working for a British MNE which is now expanding into China. You have been sent on a two-year assignment and are about to get on a plane. What are the cultural challenges and opportunities you might face? (25 marks)

QUESTION FOUR

a) Why is communicating effectively a critical factor in managing across culture? (15 marks)

b) “In multinational Corporations, cultural differences can happen in very many ways and become more complicated in the future”.

Discuss the areas where differences can occur (10 marks)

QUESTION FIVE

In the context of international mergers and acquisitions “cultural differences can be viewed as either a handicap or a powerful seed for something new” (Carlos Ghosn, President and CEO of Nissan and Renault).

a) Critically evaluate this statement and support your answers with relevant examples (10 marks)

b) Explain how culture can be harnessed to promote effective mergers and acquisitions(15 marks)