

## **Open question exam International Business (191880801)**

Nikos 12.009

**Date: January 24, 2012      Time: 13.45h – 17.15h**

This exam consists of 6 questions. Each (sub-)question of this exam will be graded with a maximum amount of points, as indicated behind each question. In total, on questions 1-6 (including sub-questions) you can score a maximum of 100 points, which equals the grade 10.

Attached to this exam you can find part of the article “**Leading change: An interview with the CEO of Deere & Company** (McKinsey quarterly, 2006). See p.3, 4 & 5 of this exam). Carefully read this article before answering the questions. When in a question “Deere” or “article” is used, it is referring to this article.

***You can make use of a hardcopy dictionary (no electronic device). You may answer both in English and Dutch.***

Good luck & lots of success.

### **Question 1; introduction to International Business**

1a. Describe the International Business Model (p.26 of the 12<sup>th</sup> edition, Ball et al.) and then, apply it on Deere (headquarters in Moline, Illinois, USA), by giving 1 or 2 examples of the different components of the model (when present). Max 1 (one) A-4 of text (!), excluding potential drawings. 20 points

1b. Which component of the model is the most important one? Explain. **5 points**

1c. Is the importance described in your answer to question 1b reflected in the article? Explain. **3 points**

### **Question 2; introduction in International Business (continued)**

In the book and during the first lecture, several definitions are given for companies going international. Amongst them are the definitions of:

- Global company,
- Multidomestic company and
- International company.

2a. Give the definitions of a global company, a multidomestic company and an International company, as stated in chapter 1 of the book by Ball et al. **6 points**

2b. Is either of these 3 applicable to Deere (see article)? If no, explain. If yes, explain. **12 points**

### **Question 3; international organizations**

Do you think the WTO or the OPEC will be of more influence to the international activities of Deere? Or perhaps neither of the two / they are equally important to Deere? Explain in max 1 (one) A-4 (!!). **15 points**

### **Question 4; video & ppt presentation of guest lecture Huub Lavooij (China in connection to international business)**

In the article, Bob Lane states the following: “...now our combine factories in *Zweibrücken, Germany; Jiamusi, China; Horizontina, Brazil; and East Moline, Illinois; could all work together as one worldwide product team with common metrics.*”

Mr. Lavooij discusses the factor personnel in China. Give 3 points of attention to Bob Lane on his statement, on the basis of what is discussed by Mr. Lavooij on personnel in China, concluding in whether or not you think Bob Lane’s statement holds. **9 points**

### **Question 5; Financial forces**

5a. Explain the concept of the BOP (in max ½ A-4!!). **6 points**

“A country’s BOP is a very important indicator of what (may) happen(s) to the country’s economy.”

5b. Explain why this statement does not hold for the USA. **15 points**

### **Question 6; sociocultural forces**

Fons Trompenaars uses 4 metaphors in order to describe corporate cultures.

6a. Give the four metaphors and explain them briefly. **4 points**

6b. Does Deere fit into 1 of the Trompenaars’ metaphors as explained in your answer of question 6a? Explain. **5 points**

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## CASE

### Leading change: An interview with Bob Lane, CEO of Deere & Company

**The Quarterly:** When you became CEO, in 2000, what were the opportunities and challenges facing the company?

**Bob Lane:** We were operating in a very asset-heavy way, which consumed enormous amounts of cash, and our margins were under pressure. Even in the good times, we weren't performing at particularly great levels, and in the bad times we were losing enormous amounts of economic profit.

**The Quarterly:** Why was Deere's operational performance less than satisfactory?

**Bob Lane:** We'd organized ourselves in a very decentralized way. Every factory optimized its own operations to produce at a steady, level rate. While such arrangements are very efficient for the single factory, they're not optimal for the whole business. Deere is not only in highly cyclical businesses but in highly seasonal ones as well, and level production therefore tends to lead to overproduction when markets are turning down. Moreover, there's a lot of complexity involved because our products are amazingly different in function and not that similar to one another. Combines aren't like tractors. And combines aren't like seeding equipment or forestry equipment. The result was that we had grown to be excessively asset heavy and margin lean.

**The Quarterly:** Did you make organizational changes?

**Bob Lane:** Yes, early on, with the support of the board, we divided the agricultural division into two parts: worldwide harvesting, which included things such as combine harvesters and cotton pickers, and a second part that included tractors and implements. This allowed us to focus more tightly on the underlying economics, product line by product line. This is not rocket science, but it was a very big breakthrough—to have the same financial metrics broken down for every single product line worldwide. For example, now our combine factories in Zweibrücken, Germany; Jiamusi, China; Horizontina, Brazil; and East Moline, Illinois; could all work together as one worldwide product team with common metrics.

**The Quarterly:** How did you get employees to align their behavior with the new goals?

**Bob Lane:** Simplicity and consistency. We knew we needed to raise our performance significantly, but we first had to better define, with the entire senior-management team, exactly how high the bar would be. And I think there were two concepts that unlocked it for us. One was a tool—an online performance-management system—that we implemented across the salaried workforce. Every one of our 18,000 salaried employees, top to bottom, now had to develop goals in advance that were explicitly aligned with the company's goals. Again, not rocket science, but vitally important.

The second was an upward sloping line of performance expectations that turned into a meaningful, useful tool that recognized the cyclical nature of our business. So to support this for each product line, we developed targets for operating assets and operating returns at different places in the cycle: twenty percent Adjusted operating profit at normal sales volumes, 12 percent at the bottom of the cycle, and 28 percent at the top—the key being that these targets would cause us to perform, on average, better than we had performed in our best year prior to that. This performance line was considered to be a very high bar, but it gave everybody in the organization clear goals to work on—anywhere in the world, and in any market condition.

*The Quarterly:* How has this focus been received by Deere's union workforce?

**Bob Lane:** We've been very straightforward with our union colleagues and clear about what we wanted to accomplish, and they have been very involved in our thinking. Moreover, our union colleagues have contributed to our progress. When we renegotiated the United Auto Workers' contract in 2003, we had quite a few discussions with them so they would understand how they could achieve better rewards. And their productivity, in particular, has dramatically improved: it's up about 9 percent since 2003. Without that improvement, we would need millions of additional labor hours to get our product out the door. These employees have shared in the benefits of improved productivity.

*The Quarterly:* Could you describe the role sequencing played in your approach?

**Bob Lane:** My original hope was that we could both dramatically improve our operating performance and grow rapidly at the same time. We quickly realized that we needed to establish a stronger operational foundation and therefore needed to improve our operating performance first. So we established two strategic imperatives early on—"Sprint North" and "Seed East." The former was focused on improving our operating efficiency in order to create the foundation for growth. The latter was focused on laying the initial seed for growth through a fairly contained and targeted set of initiatives. "Seed East" would later become "Drive East," as we established a stronger operational foundation and began to accelerate innovation and pursue global growth opportunities more aggressively.

Looking back, this desire to both grow and improve operational performance at the same time created an enormous amount of skepticism early on. And if I had it all to do over again I would be clearer and crisper at the front end about the priorities. The lesson for me was that sequencing is very important in terms of establishing the right expectations with employees and investors, and when you don't get it right it causes a lot of skepticism—legitimate skepticism.

*The Quarterly:* How have these changes affected Deere's culture?

**Bob Lane:** Trustworthiness is a vital part of Deere's heritage. For customers, that means if we say we'll make it right during the warranty period we'll make it right, even if it costs us a lot of money. For employees, it means people know where they stand. It's the same for suppliers too. One supplier told me, "You know, I wouldn't call Deere supplier friendly, but I

would call Deere supplier fair.” And I was pleased to hear it. As an organization, Deere aspires to be a transparent company: no smoke, no mirrors, no tricks. We’re straight down the middle.

Deere is also changing from being a family to being a high-performance team. “The John Deere family” used to be a common expression. Now that doesn’t mean that in a team you don’t support people when they make mistakes, but you do have to perform to high expectations. And frankly, not everybody wants to be on a high-performance team. Some people prefer to play intramurals. That’s okay, but they are no longer a good fit for Deere.

**The Quarterly:** Have Deere’s talent requirements changed as a result?

**Bob Lane:** In the same way that the performance bar has been raised, the skills required of our employees have gone up. Our competition is more aggressive and global in nature, and the financial demands are that much higher. And we expect our people to respond to the competition and achieve higher performance standards in a very ethical way. To respond to this challenge, there are two important institutional skills needed. First, we need a stronger customer orientation. Second, collaborative skills will be increasingly important as we broaden our global horizons. Our strategy and performance goals require teamwork worldwide—and our culture is much more focused on enabling people to work together. This takes a different mind-set, but it’s a skill that’s rewarded here.

**The Quarterly:** Despite all of Deere’s improvements, you have said that Deere is not yet a great business. Looking ahead, what will it take to get there?

**Bob Lane:** The main factor is sustainability. Delivering performance over a reasonably short period of time is insufficient evidence of sustainability. We want to be known for performance that endures. Think of our strategy as two engines. The first is sustained, exceptional operating performance, distinctively serving customers while using our assets extremely well. The second is disciplined growth—proving that through innovation and invention we can expand our business and sustain that growth. A great business has both engines thrusting continuously at the same time. Those engines will flame out if you don’t have the talent—the high-octane fuel to run them. So that’s the third strategic component: talent from every background delivering high-performance teamwork.

## END OF CASE

*N.B.: After the results are published, you have 2 weeks to make an appointment to discuss the grade (appointments via tel 5355, secretariat Nikos; 1 person per appointment). This appointment is to be held within 5 weeks after publication of the result. After these 2 initial weeks, you can schedule an appointment (via secretariat Nikos, tel 5355) to look into the exam but there is no possibility to discuss the content anymore (see article 12 of the student charter).*