Chapter 01

The Challenging World of International Business

**True / False Questions**

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| 1. | All managers need to have a basic knowledge of international business.    True    False |

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| 2. | As the term is used in the text, *foreign business* is business whose activities are carried out across national borders.    True    False |

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| 3. | An international company is an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences.    True    False |

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| 4. | A business whose activities are carried out across national borders is known as an international business.    True    False |

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| 5. | *Foreign business* refers to the operations of a company outside its home or domestic market.    True    False |

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| 6. | A company headquartered in another country is known as a foreign business.    True    False |

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| 7. | The term *international business* is used to describe an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences.    True    False |

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| 8. | A multidomestic company is an organization that attempts to standardize and integrate operations worldwide in all functional areas.    True    False |

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| 9. | The term *international company* refers to both global and multidomestic companies.    True    False |

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| 10. | A global company is an organization that attempts to standardize and integrate operations worldwide in most or all functional areas.    True    False |

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| 11. | According to the definitions in the text, a multidomestic firm is an organization that attempts to standardize operations worldwide in all functional areas.    True    False |

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| 12. | The United Nations uses the term *transnational* to describe an enterprise doing business in more than one country.    True    False |

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| 13. | Only those companies that have foreign operations need to be aware of what is occurring globally in foreign markets and their industry.    True    False |

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| 14. | International business differs from domestic business in that a firm operating across borders must deal with the forces of two kinds of environments—domestic and foreign.    True    False |

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| 15. | External forces in the international business environment are commonly called *uncontrollable forces*.    True    False |

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| 16. | Uncontrollable forces are external forces over which management cannot exert any influence.    True    False |

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| 17. | According to the text, environmental elements over which management does have some control—including competitive, labor, and financial forces—are called *internal forces*.    True    False |

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| 18. | External environmental forces are commonly referred to as *controllable*.    True    False |

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| 19. | Internal environmental forces are commonly referred to as *controllable*.    True    False |

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| 20. | The international environment is composed of all the uncontrollable forces that surround and influence the firm's life and development.    True    False |

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| 21. | According to the text, the international environment is all of the uncontrollable forces originating outside the home country that surround and influence the firm.    True    False |

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| 22. | According to the text, the domestic environment is all of the uncontrollable forces originating in the home country that surround and influence the firm's life and development.    True    False |

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| 23. | The forces in the international environment are the same as those in the domestic environment except that they occur in foreign nations.    True    False |

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| 24. | A common cause of the added complexity of foreign environments is managers' unfamiliarity with other cultures and is called *self-reference syndrome*.    True    False |

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| 25. | According to the text, the *self-absorption criterion* is probably the biggest cause of international business blunders.    True    False |

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| 26. | While international business as a discipline is relatively new, international business as a business practice is not.    True    False |

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| 27. | Britain was the world's leading manufacturing country for about 1,800 years, until it was replaced by the United States at the end of the 1800s.    True    False |

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| 28. | The Ottoman Empire's powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.    True    False |

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| 29. | According to the text, the level of intracompany trade of multinationals in 1930, as a percentage of world trade, may have exceeded the proportion at the end of the 20th century.    True    False |

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| 30. | *Transnational* corporations account for approximately 25 percent of total global output and nearly 50 percent of world trade.    True    False |

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| 31. | Critics of large global firms compare these firms' sales with nations' total sales to illustrate the tremendous size of these firms.    True    False |

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| 32. | One variable commonly used to measure where and how fast internationalization takes place is the increase in total foreign direct investment.    True    False |

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| 33. | The world stock of outward foreign direct investment was $19 trillion at the beginning of 2010, which was more than nine times what it was in 1990.    True    False |

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| 34. | *Importing* refers to the transportation of any good or service to a destination into a country or region, from a foreign origination point.    True    False |

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| 35. | *Exporting* refers to the transportation of any good or service to a destination inside a country or region.    True    False |

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| 36. | The tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is referred to as *economic globalization*.    True    False |

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| 37. | There are five major kinds of globalization drivers, all based on changes that are leading international firms to the globalization of their operations.    True    False |

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| 38. | The United States has only about 10 percent of the world's population, so the vast proportion of most companies' potential customers are located elsewhere.    True    False |

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| 39. | That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree.    True    False |

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| 40. | Supporters of globalization generally argue that it is the best strategy for advancing the world's economic development.    True    False |

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| 41. | Expanded international trade is linked with the creation of more and better jobs.    True    False |

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| 42. | Globalization has produced uneven results across nations and people.    True    False |

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| 43. | Opponents of globalization argue that globalization has contributed to an improvement in environmental and health conditions.    True    False |

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| 44. | Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.    True    False |

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| 45. | The reasons international firms enter foreign markets are all linked to either (1) the desire to increase profits or (2) the desire to increase sales.    True    False |

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| 46. | An examination of the 2009 *Human Development Report* shows that only 23 of the 182 countries for which data were available had average annual GDP per capita growth rates that were higher than the U.S. growth rate for the period 1990-2007.    True    False |

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| 47. | Greater profits may be obtained by either increasing total revenue or decreasing the cost of goods sold.    True    False |

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| 48. | Changing the method of going abroad from exporting to overseas production is often necessary to protect foreign markets.    True    False |

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| 49. | In organizing their international activities, there are five dimensions along which management can globalize or standardize these activities.    True    False |

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| 50. | There are many outstanding international career opportunities for people with desirable interpersonal and language skills that are not in mainstream business but may require basic business expertise.    True    False |

**Multiple Choice Questions**

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| 51. | A survey of CEOs of the 162 largest firms on *Fortune's* list of the 500 largest American corporations found that the CEOs strongly believed that:      |  |  | | --- | --- | | A. | an international orientation should be an important part of college business education. |  |  |  | | --- | --- | | B. | international business skills and knowledge were important for promotion to senior executive positions but not for appointment to entry-level positions. |  |  |  | | --- | --- | | C. | the importance of international business skills and knowledge for promotion to senior executive positions was higher for companies anticipating an increased level of importance of international activities in the next five years. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 52. | A survey of CEOs of the 162 largest firms on *Fortune's* list of the 500 largest American corporations found that the internationally oriented courses that were viewed as being the most important for early career positions included topics related to:      |  |  | | --- | --- | | A. | an introduction to international business. |  |  |  | | --- | --- | | B. | international strategy and competitiveness. |  |  |  | | --- | --- | | C. | international legal and political issues. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 53. | The increased internationalization of business requires \_\_\_\_\_\_\_\_\_\_ to have a basic knowledge of international business.      |  |  | | --- | --- | | A. | all managers |  |  |  | | --- | --- | | B. | managers of multinationals |  |  |  | | --- | --- | | C. | managers of *transnational*s |  |  |  | | --- | --- | | D. | managers of purely domestic operations |  |  |  | | --- | --- | | E. | none of A, B, C, or D | |

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| 54. | If you already have a job, you can enhance your opportunities for international experience by:      |  |  | | --- | --- | | A. | making your boss and the human resource management department personnel aware of your interest. |  |  |  | | --- | --- | | B. | meeting people in the home office who work with the company's foreign subsidiaries. |  |  |  | | --- | --- | | C. | taking additional international business courses and making sure that people in your company know what you are doing. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 55. | As stated in the text, an international business is:      |  |  | | --- | --- | | A. | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | B. | the operations of a company outside its home or domestic market. |  |  |  | | --- | --- | | C. | an organization with multicountry affiliates that each formulate their own business strategy. |  |  |  | | --- | --- | | D. | an organization that attempts to standardize operations worldwide. |  |  |  | | --- | --- | | E. | all of the above. | |

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| 56. | *Foreign business* denotes:      |  |  | | --- | --- | | A. | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | B. | the domestic operations within a foreign country. |  |  |  | | --- | --- | | C. | an organization with multicountry affiliates. |  |  |  | | --- | --- | | D. | an organization that attempts to standardize operations worldwide. |  |  |  | | --- | --- | | E. | all of the above. | |

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| 57. | A multidomestic company is:      |  |  | | --- | --- | | A. | none of B, C, D, or E. |  |  |  | | --- | --- | | B. | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | C. | the domestic operations within a foreign country. |  |  |  | | --- | --- | | D. | an organization with multicountry affiliates. |  |  |  | | --- | --- | | E. | an organization that attempts to standardize operations worldwide. | |

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| 58. | A global company is:      |  |  | | --- | --- | | A. | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | B. | the domestic operations within a foreign country. |  |  |  | | --- | --- | | C. | an organization with multicountry affiliates. |  |  |  | | --- | --- | | D. | an organization that attempts to standardize operations worldwide. |  |  |  | | --- | --- | | E. | two of the above. | |

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| 59. | Firms that have substantial operations in more than one country are called:      |  |  | | --- | --- | | A. | global companies. |  |  |  | | --- | --- | | B. | multidomestic firms. |  |  |  | | --- | --- | | C. | affiliated companies. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 60. | An international company is:      |  |  | | --- | --- | | A. | a global company. |  |  |  | | --- | --- | | B. | amultidomestic company. |  |  |  | | --- | --- | | C. | an affiliated company. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 61. | International business differs from domestic business in that a firm operating across borders must deal with:      |  |  | | --- | --- | | A. | all of C, D, and E. |  |  |  | | --- | --- | | B. | two of C, D, and E. |  |  |  | | --- | --- | | C. | the foreign environment. |  |  |  | | --- | --- | | D. | the international environment. |  |  |  | | --- | --- | | E. | the domestic environment. | |

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| 62. | Environment as used in the textbook is the forces surrounding and influencing the life and development of the firm and is classified as:      |  |  | | --- | --- | | A. | controllable or uncontrollable. |  |  |  | | --- | --- | | B. | domestic or foreign. |  |  |  | | --- | --- | | C. | internal or external. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | A and C. | |

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| 63. | Management has no direct control over the external environment of the firm but can exert influence by:      |  |  | | --- | --- | | A. | heavy promotion of new products to change cultural attitudes. |  |  |  | | --- | --- | | B. | only competing in the domestic market. |  |  |  | | --- | --- | | C. | lobbying. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 64. | Examples of the kinds of uncontrollable forces listed in the text are:      |  |  | | --- | --- | | A. | competitive. |  |  |  | | --- | --- | | B. | technological. |  |  |  | | --- | --- | | C. | personnel. |  |  |  | | --- | --- | | D. | two of the above. |  |  |  | | --- | --- | | E. | all of A, B, and C. | |

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| 65. | The forces over which management does have some command are called:      |  |  | | --- | --- | | A. | internal. |  |  |  | | --- | --- | | B. | controllable. |  |  |  | | --- | --- | | C. | foreign. |  |  |  | | --- | --- | | D. | external |  |  |  | | --- | --- | | E. | two of the above. | |

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| 66. | The domestic environment is composed of all the uncontrollable forces originating in the \_\_\_\_\_\_\_\_\_\_ that surround and influence the life and development of the firm.      |  |  | | --- | --- | | A. | international arena |  |  |  | | --- | --- | | B. | host nation |  |  |  | | --- | --- | | C. | home country |  |  |  | | --- | --- | | D. | foreign country |  |  |  | | --- | --- | | E. | two of the above. | |

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| 67. | Foreign environmental forces often operate differently than domestic environmental forces because:      |  |  | | --- | --- | | A. | they are uncontrollable. |  |  |  | | --- | --- | | B. | force values are different. |  |  |  | | --- | --- | | C. | changes are difficult to assess. |  |  |  | | --- | --- | | D. | two of the above. |  |  |  | | --- | --- | | E. | all of A, B, and C. | |

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| 68. | The kinds of forces in the foreign environment are \_\_\_\_\_\_\_\_\_\_ those in the domestic environment except that they occur in foreign nations.      |  |  | | --- | --- | | A. | different from |  |  |  | | --- | --- | | B. | the same as |  |  |  | | --- | --- | | C. | less than |  |  |  | | --- | --- | | D. | more stringent than |  |  |  | | --- | --- | | E. | none of the above | |

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| 69. | International business differs from domestic business in that a firm operating across borders must deal with what environmental forces?      |  |  | | --- | --- | | A. | International |  |  |  | | --- | --- | | B. | Foreign |  |  |  | | --- | --- | | C. | Political |  |  |  | | --- | --- | | D. | Competitive |  |  |  | | --- | --- | | E. | Two of the above | |

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| 70. | Environmental forces can be classified as:      |  |  | | --- | --- | | A. | all of B, C, and D. |  |  |  | | --- | --- | | B. | external. |  |  |  | | --- | --- | | C. | uncontrollable. |  |  |  | | --- | --- | | D. | internal. |  |  |  | | --- | --- | | E. | two of B, C, and D. | |

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| 71. | The international environment is the interactions between:      |  |  | | --- | --- | | A. | the domestic environmental forces and the foreign environmental forces. |  |  |  | | --- | --- | | B. | the domestic controllable forces and the domestic uncontrollable forces. |  |  |  | | --- | --- | | C. | the foreign environmental forces of two countries when an affiliate in one country does business in another country. |  |  |  | | --- | --- | | D. | two of the above. |  |  |  | | --- | --- | | E. | all of A, B, and C. | |

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| 72. | According to the text, personnel working in a foreign subsidiary are working in the international environment:      |  |  | | --- | --- | | A. | if they work and live in the foreign subsidiary's country. |  |  |  | | --- | --- | | B. | if they are responsible for the subsidiary's exports. |  |  |  | | --- | --- | | C. | if they are also responsible for the management of another foreign subsidiary. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 73. | Decision making in the international environment is \_\_\_\_\_\_\_\_\_\_ it is in a purely domestic environment.      |  |  | | --- | --- | | A. | less complex than |  |  |  | | --- | --- | | B. | less demanding than |  |  |  | | --- | --- | | C. | more complex than |  |  |  | | --- | --- | | D. | about the same as |  |  |  | | --- | --- | | E. | two of the above | |

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| 74. | Unconscious reference to one's own cultural values when judging behavioral actions of others in a new and different environment is called:      |  |  | | --- | --- | | A. | self-reference culture. |  |  |  | | --- | --- | | B. | self-reference values. |  |  |  | | --- | --- | | C. | self-reference criterion. |  |  |  | | --- | --- | | D. | self-reference customs. |  |  |  | | --- | --- | | E. | self-reference environment. | |

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| 75. | Historically, international business:      |  |  | | --- | --- | | A. | is relatively new as a discipline and as a business practice. |  |  |  | | --- | --- | | B. | existed before the time of Christ. |  |  |  | | --- | --- | | C. | two of A, B, and D. |  |  |  | | --- | --- | | D. | was influenced by the rise of the Ottoman Empire. |  |  |  | | --- | --- | | E. | none of the above. | |

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| 76. | \_\_\_\_\_\_\_\_\_\_ was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840.      |  |  | | --- | --- | | A. | The United States |  |  |  | | --- | --- | | B. | Germany |  |  |  | | --- | --- | | C. | India |  |  |  | | --- | --- | | D. | France |  |  |  | | --- | --- | | E. | none of the above. | |

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| 77. | International business really began:      |  |  | | --- | --- | | A. | with the East India Company, chartered in 1600. |  |  |  | | --- | --- | | B. | when Singer Sewing Machine put up a factory in Scotland in 1868. |  |  |  | | --- | --- | | C. | before the time of Christ. |  |  |  | | --- | --- | | D. | when Colt Fire Arms set up a plant in England. |  |  |  | | --- | --- | | E. | when the Ottoman Empire was established. | |

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| 78. | UNCTAD, an agency of the United Nations, estimates there are \_\_\_\_\_\_\_\_\_\_ international firms in the world.      |  |  | | --- | --- | | A. | 5,500 |  |  |  | | --- | --- | | B. | 12,000 |  |  |  | | --- | --- | | C. | 64,000 |  |  |  | | --- | --- | | D. | 82,000 |  |  |  | | --- | --- | | E. | over 800,000 | |

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| 79. | Due to the expanding importance of foreign-owned firms in local economies, host governments have made their policies toward these companies:      |  |  | | --- | --- | | A. | more strict. |  |  |  | | --- | --- | | B. | more liberal. |  |  |  | | --- | --- | | C. | harsher. |  |  |  | | --- | --- | | D. | more confronting. |  |  |  | | --- | --- | | E. | two of the above. | |

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| 80. | Foreign subsidiaries must obey the local laws. If they don't, according to the text they are subject to:      |  |  | | --- | --- | | A. | legal action by the host country. |  |  |  | | --- | --- | | B. | two of A, C, and D. |  |  |  | | --- | --- | | C. | seizure by the host government. |  |  |  | | --- | --- | | D. | cancellation by the parent company of its right to do business in the host country. |  |  |  | | --- | --- | | E. | all of A, C and D. | |

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| 81. | The worldwide stock of outward FDI is estimated to have increased \_\_\_\_\_\_\_ between 1990 and 2010.      |  |  | | --- | --- | | A. | 3-fold |  |  |  | | --- | --- | | B. | 5-fold |  |  |  | | --- | --- | | C. | 9-fold |  |  |  | | --- | --- | | D. | 12-fold |  |  |  | | --- | --- | | E. | 17-fold | |

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| 82. | \_\_\_\_\_\_\_ refers to the transportation of any domestic good or service to a destination outside a country or region.      |  |  | | --- | --- | | A. | Importing |  |  |  | | --- | --- | | B. | Foreign direct investment |  |  |  | | --- | --- | | C. | Exporting |  |  |  | | --- | --- | | D. | International business |  |  |  | | --- | --- | | E. | None of the above | |

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| 83. | The level of service exports worldwide increased more than \_\_\_\_\_\_\_ between 1980 and 2010.      |  |  | | --- | --- | | A. | 4-fold |  |  |  | | --- | --- | | B. | 6-fold |  |  |  | | --- | --- | | C. | 10-fold |  |  |  | | --- | --- | | D. | 12-fold |  |  |  | | --- | --- | | E. | 17-fold | |

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| 84. | According to the text, the tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is called:      |  |  | | --- | --- | | A. | internationalization. |  |  |  | | --- | --- | | B. | international business. |  |  |  | | --- | --- | | C. | economic globalization. |  |  |  | | --- | --- | | D. | multinationalization. |  |  |  | | --- | --- | | E. | global integration. | |

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| 85. | According to the text, political drivers of globalization include:      |  |  | | --- | --- | | A. | preferential trading agreements. |  |  |  | | --- | --- | | B. | reduction of barriers to trade and foreign investment. |  |  |  | | --- | --- | | C. | nationalization of much of the industry in formerly communist nations. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 86. | Which of the following are identified in the text as being drivers of globalization?      |  |  | | --- | --- | | A. | Technological |  |  |  | | --- | --- | | B. | Social |  |  |  | | --- | --- | | C. | Two of A, B, and D |  |  |  | | --- | --- | | D. | Economic |  |  |  | | --- | --- | | E. | All of A, B, and D | |

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| 87. | The major globalization drivers include all of the following except:      |  |  | | --- | --- | | A. | political. |  |  |  | | --- | --- | | B. | social. |  |  |  | | --- | --- | | C. | cost. |  |  |  | | --- | --- | | D. | market. |  |  |  | | --- | --- | | E. | none of the above. All of the above are major kinds of globalization drivers identified in the text. | |

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| 88. | The major globalization drivers include all of the following except:      |  |  | | --- | --- | | A. | competitive. |  |  |  | | --- | --- | | B. | cultural. |  |  |  | | --- | --- | | C. | cost. |  |  |  | | --- | --- | | D. | market. |  |  |  | | --- | --- | | E. | none of the above. All of the above are major kinds of globalization drivers identified in the text. | |

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| 89. | According to supporters of the globalization of trade and investment, free trade:      |  |  | | --- | --- | | A. | creates more and better jobs. |  |  |  | | --- | --- | | B. | benefits all nations and workers. |  |  |  | | --- | --- | | C. | does not cause the loss of high-paying jobs. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 90. | Opponents of globalization argue that globalization has produced:      |  |  | | --- | --- | | A. | more and better jobs. |  |  |  | | --- | --- | | B. | deleterious effects on labor and labor standards. |  |  |  | | --- | --- | | C. | uneven results across nations and people. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 91. | According to opponents of the globalization of trade and investment:      |  |  | | --- | --- | | A. | globalization has produced uneven results across nations and people. |  |  |  | | --- | --- | | B. | globalization has had harmful effects on labor and labor standards. |  |  |  | | --- | --- | | C. | globalization has contributed to a decline in environmental and health conditions. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B and C. | |

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| 92. | According to the text, the reasons international firms enter foreign markets are linked to:      |  |  | | --- | --- | | A. | the desire to increase profits and sales. |  |  |  | | --- | --- | | B. | the desire to invest excess capital from domestic markets. |  |  |  | | --- | --- | | C. | the desire to protect profits and sales from being eroded by competitors. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B and C. | |

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| 93. | Reasons for international firms to enter into foreign markets are linked to which of the following desires?      |  |  | | --- | --- | | A. | Increased sales and reduced costs |  |  |  | | --- | --- | | B. | Protecting sales and profits from being eroded by competitors |  |  |  | | --- | --- | | C. | Creation of new markets. |  |  |  | | --- | --- | | D. | All of the above. |  |  |  | | --- | --- | | E. | Two of A, B, and C. | |

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| 94. | According to the text, the dimensions along which management can globalize (standardize) their company's international activities include:      |  |  | | --- | --- | | A. | markets. |  |  |  | | --- | --- | | B. | competitive strategy. |  |  |  | | --- | --- | | C. | political exposure. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. | |

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| 95. | The international business manager can choose to:      |  |  | | --- | --- | | A. | transfer a management practice intact. |  |  |  | | --- | --- | | B. | transfer and adjust a management practice. |  |  |  | | --- | --- | | C. | not transfer a management practice at all. |  |  |  | | --- | --- | | D. | two of A, B, and C. |  |  |  | | --- | --- | | E. | all of A, B, and C. | |

**Essay Questions**

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| 96. | Discuss the three environments in which an international company operates. |

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| 97. | Identify and discuss the five major kinds of drivers that are leading international firms to the globalization of their operations. |

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| 98. | Discuss the arguments supporting and opposing globalization of trade and investment. |

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| 99. | Explain the different reasons for firms to enter foreign markets. |

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| 100. | Identify the seven dimensions along which management can globalize in organizing their international activities. |

Chapter 01 The Challenging World of International Business Answer Key

**True / False Questions**

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| 1. | All managers need to have a basic knowledge of international business.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: Why You Need International Business Experience and How to Get It* |

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| 2. | As the term is used in the text, *foreign business* is business whose activities are carried out across national borders.    **FALSE**  As used in this text, *foreign business* denotes the operations of a company outside its home or domestic market. *International business* is business whose activities are carried out across national borders. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 3. | An international company is an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences.    **FALSE**  An international company can be either a global or a multidomestic company. A multidomestic company is an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 4. | A business whose activities are carried out across national borders is known as an international business.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 5. | *Foreign business* refers to the operations of a company outside its home or domestic market.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 6. | A company headquartered in another country is known as a foreign business.    **FALSE**  *Foreign business* refers to the operations of a company outside its home or domestic market; many refer to this as business conducted within a foreign country. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 7. | The term *international business* is used to describe an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences.    **FALSE**  A multidomestic company is an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 8. | A multidomestic company is an organization that attempts to standardize and integrate operations worldwide in all functional areas.    **FALSE**  A global company is an organization that attempts to standardize and integrate operations worldwide in all functional areas. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 9. | The term *international company* refers to both global and multidomestic companies.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 10. | A global company is an organization that attempts to standardize and integrate operations worldwide in most or all functional areas.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 11. | According to the definitions in the text, a multidomestic firm is an organization that attempts to standardize operations worldwide in all functional areas.    **FALSE**  A multidomestic company is an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences. A global company is an organization that attempts to standardize and integrate operations worldwide in most or all functional areas. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 12. | The United Nations uses the term *transnational* to describe an enterprise doing business in more than one country.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 13. | Only those companies that have foreign operations need to be aware of what is occurring globally in foreign markets and their industry.    **FALSE**  Even a strictly domestic company must be able to consider actions or potential actions of suppliers, competitors, customers, and other stakeholders that operate in foreign markets or that are active or may be active within the domestic company's marketplace and that may impact the domestic company's sales and profits. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is different about international business?* |

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| 14. | International business differs from domestic business in that a firm operating across borders must deal with the forces of two kinds of environments—domestic and foreign.    **FALSE**  International business involves three kinds of environments—domestic, foreign, and international. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 15. | External forces in the international business environment are commonly called *uncontrollable forces*.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 16. | Uncontrollable forces are external forces over which management cannot exert any influence.    **FALSE**  Uncontrollable forces are external forces over which management has no direct control, although it can exert an influence. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 17. | According to the text, environmental elements over which management does have some control—including competitive, labor, and financial forces—are called *internal forces*.    **FALSE**  Competitive, labor, and financial forces are external (or uncontrollable) forces. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 18. | External environmental forces are commonly referred to as *controllable*.    **FALSE**  External environmental forces are commonly referred to as *uncontrollable*. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 19. | Internal environmental forces are commonly referred to as *controllable*.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 20. | The international environment is composed of all the uncontrollable forces that surround and influence the firm's life and development.    **FALSE**  The domestic environment is composed of all the uncontrollable forces originating in the home country. The foreign environment is composed of all the uncontrollable forces originating outside the home country. The international environment is the interaction between domestic and foreign environmental forces or between sets of foreign environmental forces. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 21. | According to the text, the international environment is all of the uncontrollable forces originating outside the home country that surround and influence the firm.    **FALSE**  The international environment is the interaction between domestic and foreign environmental forces or between sets of foreign environmental forces. Foreign environment is all the uncontrollable forces originating outside the home country that surround and influence the firm. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 22. | According to the text, the domestic environment is all of the uncontrollable forces originating in the home country that surround and influence the firm's life and development.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 23. | The forces in the international environment are the same as those in the domestic environment except that they occur in foreign nations.    **FALSE**  The forces in the *foreign* environment are the same as those in the domestic environment except that they occur in foreign nations. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 24. | A common cause of the added complexity of foreign environments is managers' unfamiliarity with other cultures and is called *self-reference syndrome*.    **FALSE**  A common cause of the added complexity of foreign environments is managers' unfamiliarity with other cultures and is called *self-reference criterion*, not syndrome. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 25. | According to the text, the *self-absorption criterion* is probably the biggest cause of international business blunders.    **FALSE**  The correct term is *self-reference criterion*, not *self-absorption criterion*. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 26. | While international business as a discipline is relatively new, international business as a business practice is not.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-03 Appreciate that international business has a long and important history in the world's development. Topic Area: A brief history of international business* |

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| 27. | Britain was the world's leading manufacturing country for about 1,800 years, until it was replaced by the United States at the end of the 1800s.    **FALSE**  China was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain about 1840. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-03 Appreciate that international business has a long and important history in the world's development. Topic Area: A brief history of international business* |

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| 28. | The Ottoman Empire's powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Appreciate that international business has a long and important history in the world's development. Topic Area: A brief history of international business* |

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| 29. | According to the text, the level of intracompany trade of multinationals in 1930, as a percentage of world trade, may have exceeded the proportion at the end of the 20th century.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-03 Appreciate that international business has a long and important history in the world's development. Topic Area: A brief history of international business* |

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| 30. | *Transnational* corporations account for approximately 25 percent of total global output and nearly 50 percent of world trade.    **FALSE**  *Transnational* corporations account for approximately two-thirds of world trade, not 50 percent. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 31. | Critics of large global firms compare these firms' sales with nations' total sales to illustrate the tremendous size of these firms.    **FALSE**  Large global firms' sales are compared with nations' gross national incomes (GNIs). |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 32. | One variable commonly used to measure where and how fast internationalization takes place is the increase in total foreign direct investment.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 33. | The world stock of outward foreign direct investment was $19 trillion at the beginning of 2010, which was more than nine times what it was in 1990.    **TRUE**  As stated directly in the text. Refer To: Figure 1.1, World merchandise exports, commercial services exports, and outward foreign direct investment, 1980-2010 |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 34. | *Importing* refers to the transportation of any good or service to a destination into a country or region, from a foreign origination point.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 35. | *Exporting* refers to the transportation of any good or service to a destination inside a country or region.    **FALSE**  *Importing* refers to the transportation of any good or service to a destination inside a country or region. *Exporting* refers to the transportation of any domestic good or service to a destination outside a country or region. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 36. | The tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is referred to as *economic globalization*.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: What is globalization?* |

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| 37. | There are five major kinds of globalization drivers, all based on changes that are leading international firms to the globalization of their operations.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-05 Understand the five kinds of drivers; all based on change; that are leading firms to internationalize their operations. Topic Area: The drivers of globalization* |

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| 38. | The United States has only about 10 percent of the world's population, so the vast proportion of most companies' potential customers are located elsewhere.    **FALSE**  The United States has only about 5 percent of the world's population, so the vast proportion of most companies' potential customers are located elsewhere. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-05 Understand the five kinds of drivers; all based on change; that are leading firms to internationalize their operations. Topic Area: The drivers of globalization* |

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| 39. | That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 40. | Supporters of globalization generally argue that it is the best strategy for advancing the world's economic development.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 41. | Expanded international trade is linked with the creation of more and better jobs.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 42. *(p. 18)* | Globalization has produced uneven results across nations and people.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 43. | Opponents of globalization argue that globalization has contributed to an improvement in environmental and health conditions.    **FALSE**  Opponents of globalization argue that globalization has contributed to a decline in environmental and health conditions. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 44. | Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 45. | The reasons international firms enter foreign markets are all linked to either (1) the desire to increase profits or (2) the desire to increase sales.    **FALSE**  The reasons international firms enter foreign markets are all linked to either (1) the desire to increase profits and sales or (2) the desire to protect these profits and sales from being eroded by competitors. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the reasons for entering foreign markets. Topic Area: Motives for entering foreign markets* |

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| 46. | An examination of the 2009 *Human Development Report* shows that only 23 of the 182 countries for which data were available had average annual GDP per capita growth rates that were higher than the U.S. growth rate for the period 1990-2007.    **FALSE**  An examination of the 2009 *Human Development Report* shows that 83 of the 182 countries for which data were available had average annual GDP per capita growth rates that were higher than the U.S. growth rate for the period 1990-2007. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the reasons for entering foreign markets. Topic Area: Motives for entering foreign markets* |

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| 47. | Greater profits may be obtained by either increasing total revenue or decreasing the cost of goods sold.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the reasons for entering foreign markets. Topic Area: Motives for entering foreign markets* |

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| 48. | Changing the method of going abroad from exporting to overseas production is often necessary to protect foreign markets.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the reasons for entering foreign markets. Topic Area: Motives for entering foreign markets* |

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| 49. | In organizing their international activities, there are five dimensions along which management can globalize or standardize these activities.    **FALSE**  There are at least seven dimensions along which management can globalize or standardize. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-08 Recognize that globalization of an international firm occurs over at least seven dimension and that a company can be partially global in some dimensions and completely global in others. Topic Area: The seven dimensions for globalizing a business* |

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| 50. | There are many outstanding international career opportunities for people with desirable interpersonal and language skills that are not in mainstream business but may require basic business expertise.    **TRUE**  As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-08 Recognize that globalization of an international firm occurs over at least seven dimension and that a company can be partially global in some dimensions and completely global in others. Topic Area: The Global Path Ahead* |

**Multiple Choice Questions**

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| 51. | A survey of CEOs of the 162 largest firms on *Fortune's* list of the 500 largest American corporations found that the CEOs strongly believed that:      |  |  | | --- | --- | | A. | an international orientation should be an important part of college business education. |  |  |  | | --- | --- | | B. | international business skills and knowledge were important for promotion to senior executive positions but not for appointment to entry-level positions. |  |  |  | | --- | --- | | C. | the importance of international business skills and knowledge for promotion to senior executive positions was higher for companies anticipating an increased level of importance of international activities in the next five years. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   A and C are both correct. For B, international business skills and knowledge were important both for promotion to senior executive positions and for appointment to entry-level positions. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: Why You Need International Business Experience and How to Get It* |

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| 52. | A survey of CEOs of the 162 largest firms on *Fortune's* list of the 500 largest American corporations found that the internationally oriented courses that were viewed as being the most important for early career positions included topics related to:      |  |  | | --- | --- | | A. | an introduction to international business. |  |  |  | | --- | --- | | B. | international strategy and competitiveness. |  |  |  | | --- | --- | | C. | international legal and political issues. |  |  |  | | --- | --- | | **D.** | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: Why You Need International Business Experience and How to Get It* |

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| 53. | The increased internationalization of business requires \_\_\_\_\_\_\_\_\_\_ to have a basic knowledge of international business.      |  |  | | --- | --- | | **A.** | all managers |  |  |  | | --- | --- | | B. | managers of multinationals |  |  |  | | --- | --- | | C. | managers of *transnational*s |  |  |  | | --- | --- | | D. | managers of purely domestic operations |  |  |  | | --- | --- | | E. | none of A, B, C, or D |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: Why You Need International Business Experience and How to Get It* |

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| 54. | If you already have a job, you can enhance your opportunities for international experience by:      |  |  | | --- | --- | | A. | making your boss and the human resource management department personnel aware of your interest. |  |  |  | | --- | --- | | B. | meeting people in the home office who work with the company's foreign subsidiaries. |  |  |  | | --- | --- | | C. | taking additional international business courses and making sure that people in your company know what you are doing. |  |  |  | | --- | --- | | **D.** | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: Why You Need International Business Experience and How to Get It* |

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| 55. | As stated in the text, an international business is:      |  |  | | --- | --- | | **A.** | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | B. | the operations of a company outside its home or domestic market. |  |  |  | | --- | --- | | C. | an organization with multicountry affiliates that each formulate their own business strategy. |  |  |  | | --- | --- | | D. | an organization that attempts to standardize operations worldwide. |  |  |  | | --- | --- | | E. | all of the above. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 56. | *Foreign business* denotes:      |  |  | | --- | --- | | A. | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | **B.** | the domestic operations within a foreign country. |  |  |  | | --- | --- | | C. | an organization with multicountry affiliates. |  |  |  | | --- | --- | | D. | an organization that attempts to standardize operations worldwide. |  |  |  | | --- | --- | | E. | all of the above. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 57. | A multidomestic company is:      |  |  | | --- | --- | | A. | none of B, C, D, or E. |  |  |  | | --- | --- | | B. | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | C. | the domestic operations within a foreign country. |  |  |  | | --- | --- | | **D.** | an organization with multicountry affiliates. |  |  |  | | --- | --- | | E. | an organization that attempts to standardize operations worldwide. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 58. | A global company is:      |  |  | | --- | --- | | A. | a business whose activities involve crossing national borders. |  |  |  | | --- | --- | | B. | the domestic operations within a foreign country. |  |  |  | | --- | --- | | C. | an organization with multicountry affiliates. |  |  |  | | --- | --- | | **D.** | an organization that attempts to standardize operations worldwide. |  |  |  | | --- | --- | | E. | two of the above. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 59. | Firms that have substantial operations in more than one country are called:      |  |  | | --- | --- | | A. | global companies. |  |  |  | | --- | --- | | B. | multidomestic firms. |  |  |  | | --- | --- | | C. | affiliated companies. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   Both A and B are correct, so E is the proper response on this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 60. | An international company is:      |  |  | | --- | --- | | A. | a global company. |  |  |  | | --- | --- | | B. | amultidomestic company. |  |  |  | | --- | --- | | C. | an affiliated company. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   Both A and B are correct, so E is the proper response on this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-01 Understand what international business is and why it is important. Topic Area: What is international business?* |

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| 61. | International business differs from domestic business in that a firm operating across borders must deal with:      |  |  | | --- | --- | | **A.** | all of C, D, and E. |  |  |  | | --- | --- | | B. | two of C, D, and E. |  |  |  | | --- | --- | | C. | the foreign environment. |  |  |  | | --- | --- | | D. | the international environment. |  |  |  | | --- | --- | | E. | the domestic environment. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 62. | Environment as used in the textbook is the forces surrounding and influencing the life and development of the firm and is classified as:      |  |  | | --- | --- | | A. | controllable or uncontrollable. |  |  |  | | --- | --- | | B. | domestic or foreign. |  |  |  | | --- | --- | | C. | internal or external. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | A and C. |   Both A and C are correct, so E is the proper response on this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 63. | Management has no direct control over the external environment of the firm but can exert influence by:      |  |  | | --- | --- | | A. | heavy promotion of new products to change cultural attitudes. |  |  |  | | --- | --- | | B. | only competing in the domestic market. |  |  |  | | --- | --- | | C. | lobbying. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   Both A and C are correct, so E is the proper response on this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 64. | Examples of the kinds of uncontrollable forces listed in the text are:      |  |  | | --- | --- | | A. | competitive. |  |  |  | | --- | --- | | B. | technological. |  |  |  | | --- | --- | | C. | personnel. |  |  |  | | --- | --- | | **D.** | two of the above. |  |  |  | | --- | --- | | E. | all of A, B, and C. |   A and B are correct, so D is the proper response on this question. Personnel activities are considered to be controllable forces. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 65. | The forces over which management does have some command are called:      |  |  | | --- | --- | | A. | internal. |  |  |  | | --- | --- | | B. | controllable. |  |  |  | | --- | --- | | C. | foreign. |  |  |  | | --- | --- | | D. | external |  |  |  | | --- | --- | | **E.** | two of the above. |   A and B are correct, so E is the proper response on this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 66. | The domestic environment is composed of all the uncontrollable forces originating in the \_\_\_\_\_\_\_\_\_\_ that surround and influence the life and development of the firm.      |  |  | | --- | --- | | A. | international arena |  |  |  | | --- | --- | | B. | host nation |  |  |  | | --- | --- | | **C.** | home country |  |  |  | | --- | --- | | D. | foreign country |  |  |  | | --- | --- | | E. | two of the above. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 67. | Foreign environmental forces often operate differently than domestic environmental forces because:      |  |  | | --- | --- | | A. | they are uncontrollable. |  |  |  | | --- | --- | | B. | force values are different. |  |  |  | | --- | --- | | C. | changes are difficult to assess. |  |  |  | | --- | --- | | **D.** | two of the above. |  |  |  | | --- | --- | | E. | all of A, B, and C. |   Both B and C are correct, so D is the proper response on this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 68. | The kinds of forces in the foreign environment are \_\_\_\_\_\_\_\_\_\_ those in the domestic environment except that they occur in foreign nations.      |  |  | | --- | --- | | A. | different from |  |  |  | | --- | --- | | **B.** | the same as |  |  |  | | --- | --- | | C. | less than |  |  |  | | --- | --- | | D. | more stringent than |  |  |  | | --- | --- | | E. | none of the above |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 69. | International business differs from domestic business in that a firm operating across borders must deal with what environmental forces?      |  |  | | --- | --- | | A. | International |  |  |  | | --- | --- | | B. | Foreign |  |  |  | | --- | --- | | C. | Political |  |  |  | | --- | --- | | D. | Competitive |  |  |  | | --- | --- | | **E.** | Two of the above |   Both A and B are correct, so E is the correct answer. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 70. | Environmental forces can be classified as:      |  |  | | --- | --- | | **A.** | all of B, C, and D. |  |  |  | | --- | --- | | B. | external. |  |  |  | | --- | --- | | C. | uncontrollable. |  |  |  | | --- | --- | | D. | internal. |  |  |  | | --- | --- | | E. | two of B, C, and D. |   Each of B, C, and D is correct, so A is the right answer. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 71. | The international environment is the interactions between:      |  |  | | --- | --- | | A. | the domestic environmental forces and the foreign environmental forces. |  |  |  | | --- | --- | | B. | the domestic controllable forces and the domestic uncontrollable forces. |  |  |  | | --- | --- | | C. | the foreign environmental forces of two countries when an affiliate in one country does business in another country. |  |  |  | | --- | --- | | **D.** | two of the above. |  |  |  | | --- | --- | | E. | all of A, B, and C. |   A and C are correct, so D is the appropriate answer. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 72. | According to the text, personnel working in a foreign subsidiary are working in the international environment:      |  |  | | --- | --- | | A. | if they work and live in the foreign subsidiary's country. |  |  |  | | --- | --- | | B. | if they are responsible for the subsidiary's exports. |  |  |  | | --- | --- | | C. | if they are also responsible for the management of another foreign subsidiary. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   Both B and C are correct, so E is the proper response. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 73. | Decision making in the international environment is \_\_\_\_\_\_\_\_\_\_ it is in a purely domestic environment.      |  |  | | --- | --- | | A. | less complex than |  |  |  | | --- | --- | | B. | less demanding than |  |  |  | | --- | --- | | **C.** | more complex than |  |  |  | | --- | --- | | D. | about the same as |  |  |  | | --- | --- | | E. | two of the above |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 74. | Unconscious reference to one's own cultural values when judging behavioral actions of others in a new and different environment is called:      |  |  | | --- | --- | | A. | self-reference culture. |  |  |  | | --- | --- | | B. | self-reference values. |  |  |  | | --- | --- | | **C.** | self-reference criterion. |  |  |  | | --- | --- | | D. | self-reference customs. |  |  |  | | --- | --- | | E. | self-reference environment. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 75. | Historically, international business:      |  |  | | --- | --- | | A. | is relatively new as a discipline and as a business practice. |  |  |  | | --- | --- | | B. | existed before the time of Christ. |  |  |  | | --- | --- | | **C.** | two of A, B, and D. |  |  |  | | --- | --- | | D. | was influenced by the rise of the Ottoman Empire. |  |  |  | | --- | --- | | E. | none of the above. |   Both B and D are correct, so C is the proper response on this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Appreciate that international business has a long and important history in the world's development. Topic Area: A brief history of international business* |

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| 76. | \_\_\_\_\_\_\_\_\_\_ was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840.      |  |  | | --- | --- | | A. | The United States |  |  |  | | --- | --- | | B. | Germany |  |  |  | | --- | --- | | C. | India |  |  |  | | --- | --- | | D. | France |  |  |  | | --- | --- | | **E.** | none of the above. |   The correct answer is China. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-03 Appreciate that international business has a long and important history in the world's development. Topic Area: A brief history of international business* |

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| 77. | International business really began:      |  |  | | --- | --- | | A. | with the East India Company, chartered in 1600. |  |  |  | | --- | --- | | B. | when Singer Sewing Machine put up a factory in Scotland in 1868. |  |  |  | | --- | --- | | **C.** | before the time of Christ. |  |  |  | | --- | --- | | D. | when Colt Fire Arms set up a plant in England. |  |  |  | | --- | --- | | E. | when the Ottoman Empire was established. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Appreciate that international business has a long and important history in the world's development. Topic Area: A brief history of international business* |

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| 78. | UNCTAD, an agency of the United Nations, estimates there are \_\_\_\_\_\_\_\_\_\_ international firms in the world.      |  |  | | --- | --- | | A. | 5,500 |  |  |  | | --- | --- | | B. | 12,000 |  |  |  | | --- | --- | | C. | 64,000 |  |  |  | | --- | --- | | **D.** | 82,000 |  |  |  | | --- | --- | | E. | over 800,000 |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 79. | Due to the expanding importance of foreign-owned firms in local economies, host governments have made their policies toward these companies:      |  |  | | --- | --- | | A. | more strict. |  |  |  | | --- | --- | | **B.** | more liberal. |  |  |  | | --- | --- | | C. | harsher. |  |  |  | | --- | --- | | D. | more confronting. |  |  |  | | --- | --- | | E. | two of the above. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 80. | Foreign subsidiaries must obey the local laws. If they don't, according to the text they are subject to:      |  |  | | --- | --- | | A. | legal action by the host country. |  |  |  | | --- | --- | | **B.** | two of A, C, and D. |  |  |  | | --- | --- | | C. | seizure by the host government. |  |  |  | | --- | --- | | D. | cancellation by the parent company of its right to do business in the host country. |  |  |  | | --- | --- | | E. | all of A, C and D. |   Both A and C are correct, so B is the proper response to this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 81. | The worldwide stock of outward FDI is estimated to have increased \_\_\_\_\_\_\_ between 1990 and 2010.      |  |  | | --- | --- | | A. | 3-fold |  |  |  | | --- | --- | | B. | 5-fold |  |  |  | | --- | --- | | **C.** | 9-fold |  |  |  | | --- | --- | | D. | 12-fold |  |  |  | | --- | --- | | E. | 17-fold |   As stated in the text. Refer To: Figure 1.1, World merchandise exports, commercial services exports, and outward foreign direct investment, 1980-2010 |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 82. | \_\_\_\_\_\_\_ refers to the transportation of any domestic good or service to a destination outside a country or region.      |  |  | | --- | --- | | A. | Importing |  |  |  | | --- | --- | | B. | Foreign direct investment |  |  |  | | --- | --- | | **C.** | Exporting |  |  |  | | --- | --- | | D. | International business |  |  |  | | --- | --- | | E. | None of the above |   As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 83. | The level of service exports worldwide increased more than \_\_\_\_\_\_\_ between 1980 and 2010.      |  |  | | --- | --- | | A. | 4-fold |  |  |  | | --- | --- | | B. | 6-fold |  |  |  | | --- | --- | | **C.** | 10-fold |  |  |  | | --- | --- | | D. | 12-fold |  |  |  | | --- | --- | | E. | 17-fold |   As stated in the text. Refer To: Figure 1.1, World merchandise exports, commercial services exports, and outward foreign direct investment, 1980-2010 |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: Growth of international firms and international business* |

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| 84. | According to the text, the tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is called:      |  |  | | --- | --- | | A. | internationalization. |  |  |  | | --- | --- | | B. | international business. |  |  |  | | --- | --- | | **C.** | economic globalization. |  |  |  | | --- | --- | | D. | multinationalization. |  |  |  | | --- | --- | | E. | global integration. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: What is globalization?* |

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| 85. | According to the text, political drivers of globalization include:      |  |  | | --- | --- | | A. | preferential trading agreements. |  |  |  | | --- | --- | | B. | reduction of barriers to trade and foreign investment. |  |  |  | | --- | --- | | C. | nationalization of much of the industry in formerly communist nations. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   A and B are correct, so E is the appropriate response. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-04 Appreciate the dramatic internationalization of markets. Topic Area: What is globalization?* |

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| 86. | Which of the following are identified in the text as being drivers of globalization?      |  |  | | --- | --- | | **A.** | Technological |  |  |  | | --- | --- | | B. | Social |  |  |  | | --- | --- | | C. | Two of A, B, and D |  |  |  | | --- | --- | | D. | Economic |  |  |  | | --- | --- | | E. | All of A, B, and D |   As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-05 Understand the five kinds of drivers; all based on change; that are leading firms to internationalize their operations. Topic Area: The drivers of globalization* |

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| 87. | The major globalization drivers include all of the following except:      |  |  | | --- | --- | | A. | political. |  |  |  | | --- | --- | | **B.** | social. |  |  |  | | --- | --- | | C. | cost. |  |  |  | | --- | --- | | D. | market. |  |  |  | | --- | --- | | E. | none of the above. All of the above are major kinds of globalization drivers identified in the text. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-05 Understand the five kinds of drivers; all based on change; that are leading firms to internationalize their operations. Topic Area: The drivers of globalization* |

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| 88. | The major globalization drivers include all of the following except:      |  |  | | --- | --- | | A. | competitive. |  |  |  | | --- | --- | | **B.** | cultural. |  |  |  | | --- | --- | | C. | cost. |  |  |  | | --- | --- | | D. | market. |  |  |  | | --- | --- | | E. | none of the above. All of the above are major kinds of globalization drivers identified in the text. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-05 Understand the five kinds of drivers; all based on change; that are leading firms to internationalize their operations. Topic Area: The drivers of globalization* |

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| 89. | According to supporters of the globalization of trade and investment, free trade:      |  |  | | --- | --- | | **A.** | creates more and better jobs. |  |  |  | | --- | --- | | B. | benefits all nations and workers. |  |  |  | | --- | --- | | C. | does not cause the loss of high-paying jobs. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | E. | two of A, B, and C. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 90. | Opponents of globalization argue that globalization has produced:      |  |  | | --- | --- | | A. | more and better jobs. |  |  |  | | --- | --- | | B. | deleterious effects on labor and labor standards. |  |  |  | | --- | --- | | C. | uneven results across nations and people. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   Both B and C are correct, so E is the appropriate answer. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 91. | According to opponents of the globalization of trade and investment:      |  |  | | --- | --- | | A. | globalization has produced uneven results across nations and people. |  |  |  | | --- | --- | | B. | globalization has had harmful effects on labor and labor standards. |  |  |  | | --- | --- | | C. | globalization has contributed to a decline in environmental and health conditions. |  |  |  | | --- | --- | | **D.** | all of the above. |  |  |  | | --- | --- | | E. | two of A, B and C. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 92. | According to the text, the reasons international firms enter foreign markets are linked to:      |  |  | | --- | --- | | A. | the desire to increase profits and sales. |  |  |  | | --- | --- | | B. | the desire to invest excess capital from domestic markets. |  |  |  | | --- | --- | | C. | the desire to protect profits and sales from being eroded by competitors. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B and C. |   Both A and C are correct, so E is the proper response to this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the reasons for entering foreign markets. Topic Area: Motives for entering foreign markets* |

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| 93. | Reasons for international firms to enter into foreign markets are linked to which of the following desires?      |  |  | | --- | --- | | A. | Increased sales and reduced costs |  |  |  | | --- | --- | | B. | Protecting sales and profits from being eroded by competitors |  |  |  | | --- | --- | | C. | Creation of new markets. |  |  |  | | --- | --- | | **D.** | All of the above. |  |  |  | | --- | --- | | E. | Two of A, B, and C. |   As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the reasons for entering foreign markets. Topic Area: Motives for entering foreign markets* |

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| 94. | According to the text, the dimensions along which management can globalize (standardize) their company's international activities include:      |  |  | | --- | --- | | A. | markets. |  |  |  | | --- | --- | | B. | competitive strategy. |  |  |  | | --- | --- | | C. | political exposure. |  |  |  | | --- | --- | | D. | all of the above. |  |  |  | | --- | --- | | **E.** | two of A, B, and C. |   Both A and B are correct, so E is the proper response to this question. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-08 Recognize that globalization of an international firm occurs over at least seven dimension and that a company can be partially global in some dimensions and completely global in others. Topic Area: The seven dimensions for globalizing a business* |

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| 95. | The international business manager can choose to:      |  |  | | --- | --- | | A. | transfer a management practice intact. |  |  |  | | --- | --- | | B. | transfer and adjust a management practice. |  |  |  | | --- | --- | | C. | not transfer a management practice at all. |  |  |  | | --- | --- | | D. | two of A, B, and C. |  |  |  | | --- | --- | | **E.** | all of A, B, and C. |   As stated in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-08 Recognize that globalization of an international firm occurs over at least seven dimension and that a company can be partially global in some dimensions and completely global in others. Topic Area: The seven dimensions for globalizing a business* |

**Essay Questions**

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| 96. | Discuss the three environments in which an international company operates.     Answers may vary, but they should address each of the three kinds of environments that firms operating across borders must deal with: domestic, foreign, and international. The domestic environment involves all of the uncontrollable forces originating in the home country that surround and influence the firm's life and development. The foreign environment involves all of the uncontrollable forces originating outside the home country that surround and influence the firm. The international environment involves the interaction between domestic and foreign environmental forces or between sets of foreign environmental forces.  Feedback: As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Comprehend why and how international business differs from domestic business. Topic Area: What is different about international business?* |

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| 97. | Identify and discuss the five major kinds of drivers that are leading international firms to the globalization of their operations.     Answers may vary, but they should address each of the five major kinds of drivers: political, technological, market, cost, and competitive.  Feedback: As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-05 Understand the five kinds of drivers; all based on change; that are leading firms to internationalize their operations. Topic Area: The drivers of globalization* |

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| 98. | Discuss the arguments supporting and opposing globalization of trade and investment.     Answers may vary, but arguments supporting globalization should include discussion about how free trade enhances socioeconomic development and about how free trade promotes more and better jobs. Arguments opposing globalization of trade and investment should include discussion of how globalization has produced uneven results across nations and people, has had deleterious effects on labor and labor standards, and has contributed to a decline in environmental and health conditions.  Feedback: As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-06 Recognize the key arguments for and against the globalization of business. Topic Area: The drivers of globalization* |

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| 99. | Explain the different reasons for firms to enter foreign markets.     Answers may vary, but they should note that the reasons firms enter foreign markets are all linked to either (1) the desire to increase profits and sales or (2) the desire to protect these profits and sales from being eroded by competitors. For increasing profits and sales, responses may address such factors as entering promising new markets, creating new markets, accessing faster-growing markets, exploiting improvements in communication technologies, obtaining greater profits, increasing revenues, lowering costs of goods sold, and accessing higher overseas profits. For protecting markets, profits, and sales, arguments may address such factors as following customers overseas, attacking a competitor's home market, using foreign production to lower costs, protecting foreign markets, dealing with lack of foreign exchange, responding to local production by competitors, exploiting downstream markets, responding to protectionism, guaranteeing supply of raw materials, accessing technology and managerial know-how, achieving geographic diversification, or satisfying management's desire for expansion.  Feedback: As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the reasons for entering foreign markets. Topic Area: Motives for entering foreign markets* |

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| 100. | Identify the seven dimensions along which management can globalize in organizing their international activities.     Answers should identify the following seven dimensions: product, markets, promotion, where value is added to the product, competitive strategy, use of non-home-country personnel, and extent of global ownership in the firm.  Feedback: As stated directly in the text. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-08 Recognize that globalization of an international firm occurs over at least seven dimension and that a company can be partially global in some dimensions and completely global in others. Topic Area: The seven dimensions for globalizing a business* |