

***International Business, 13e (Global Edition) (Daniels/Radebaugh/Sullivan)***  
**Chapter 1 Globalization and International Business**

1) The broadening set of interdependent relationships among people from different parts of the world is known as \_\_\_\_\_.

- A) globalization
- B) offshoring
- C) franchising
- D) outsourcing

Answer: A

Diff: 1 Page Ref: 49

Skill: Concept

Objective: STUDY QUESTION 1.1: What are international business and globalization? What is the relationship between them?

AACSB: Multicultural and Diversity

2) The term globalization is sometimes used to mean the \_\_\_\_\_.

- A) movement of jobs to high-wage countries
- B) business being undertaken outside the confines of any nation
- C) uneven distribution of resources and this distribution's influence on different products and services in different parts of the world
- D) integration of world economies through the reduction of barriers to the movement of trade, capital, technology, and people

Answer: D

Diff: 1 Page Ref: 49

Skill: Concept

Objective: STUDY QUESTION 1.1: What are international business and globalization? What is the relationship between them?

AACSB: Multicultural and Diversity

3) Which of the following best defines international business?

- A) It includes all public economic flows between two or more countries.
- B) It includes all private economic flows between two or more countries.
- C) It includes all business transactions involving two or more countries, whether the transactions are conducted by private or governmental organizations.
- D) It includes all business transactions in countries other than your home country.

Answer: C

Diff: 1 Page Ref: 49

Skill: Concept

Objective: STUDY QUESTION 1.1: What are international business and globalization? What is the relationship between them?

4) Which of the following is the most accurate comparison of how private businesses and governments conduct international business?

- A) The objectives for private businesses and governments are the same.
- B) The objective of a private business is profit, whereas a government may or may not seek profit as an objective.
- C) Governments operate strictly for nonprofit motives, but private businesses seek profits.

D) Governments undertake international business for more long-term objectives than private businesses do.

Answer: B

Diff: 2 Page Ref: 49

Skill: Concept

Objective: STUDY QUESTION 1.1: What are international business and globalization? What is the relationship between them?

5) Which of the following is NOT a reason to study international business?

A) Business conducted outside the confines of any one country is on the decline.

B) Global events affect almost all companies.

C) By approaching operating strategies from an international standpoint, you may be able to better obtain the resources you need.

D) The physical, social, and competitive conditions differ from country to country.

Answer: A

Diff: 2 Page Ref: 49-50

Skill: Concept

Objective: STUDY QUESTION 1.2: Why should you study international business?

6) Of the following, it is most essential for a student of business to \_\_\_\_\_.

A) travel widely in order to understand different business environments

B) take an internship with a multinational company

C) find employment with a company free from global competition

D) gain some understanding of international business

Answer: D

Diff: 1 Page Ref: 50

Skill: Application

Objective: STUDY QUESTION 1.2: Why should you study international business?

AACSB: Analytic Skills

7) In terms of international business, it is most accurate to say that \_\_\_\_\_.

A) there is a universal "best way" to conduct business

B) global competition affects large companies but not small ones

C) most companies, regardless of industry, depend either on foreign markets and supplies or compete against companies that do

D) government regulation of international business has little effect on a company's profits

Answer: C

Diff: 1 Page Ref: 50

Skill: Concept

Objective: STUDY QUESTION 1.2: Why should you study international business?

8) Even if you never have direct international responsibilities, an understanding of some of the complexities of international business may be useful to you because \_\_\_\_\_.

A) it is essential for most managerial job interviews

B) it may help you make more informed operational decisions

C) you will need to supervise and evaluate subordinates who have international responsibilities

D) you should understand importing and exporting in order to be promoted

Answer: B

Diff: 2 Page Ref: 51

Skill: Concept

Objective: STUDY QUESTION 1.2: Why should you study international business?

9) The shifting of national borders has created which of the following situations for international business?

- A) It has left most people who reside in rural areas with only the barest connection to the rest of the world.
- B) It has complicated the understanding of behavioral factors affecting business.
- C) It has made comparisons of historical data on international transactions problematic.
- D) It has slowed communications between a company's headquarters and foreign operations.

Answer: C

Diff: 2 Page Ref: 51

Skill: Concept

Objective: STUDY QUESTION 1.3: Explain how globalization has changed over time and differs both among countries and within countries.

AACSB: Multicultural and Diversity

10) Which of the following is an indication of the increased globalization of business since the end of World War II?

- A) World trade has grown more rapidly than world production in almost every year.
- B) Most countries now depend on foreign output for more than half their consumption.
- C) Foreign ownership of assets has leveled off.
- D) Countries have increased their import restrictions to counter the rising tide of imports.

Answer: A

Diff: 2 Page Ref: 51

Skill: Concept

Objective: STUDY QUESTION 1.3: Explain how globalization has changed over time and differs both among countries and within countries.

11) Most of the world's goods and services are sold \_\_\_\_\_.

- A) in international markets
- B) in the countries where they are produced
- C) through exports to small countries
- D) through exports to large countries

Answer: B

Diff: 2 Page Ref: 51

Skill: Concept

Objective: STUDY QUESTION 1.3: Explain how globalization has changed over time and differs both among countries and within countries.

12) According to the A.T. Kearny/Foreign Policy Globalization Index, which ranked countries on their extent of globalization across economic, technological, personal contact, and political dimensions, countries \_\_\_\_\_.

- A) tend to be ranked similarly on all four dimensions
- B) are more globalized on the political dimension than on personal contact
- C) that are large in land mass and population are less globalized than small countries
- D) sometimes rank high on one dimension and low on another

Answer: D

Diff: 2 Page Ref: 51

Skill: Concept

Objective: STUDY QUESTION 1.3: Explain how globalization has changed over time and differs both among countries and within countries.

AACSB: Multicultural and Diversity

13) Which of the following has NOT been a major force increasing globalization in recent decades?

- A) liberalization of cross-border trade
- B) increase in and expansion of technology
- C) growing pressure from consumers
- D) decreasing global competition

Answer: D

Diff: 1 Page Ref: 51-52

Skill: Concept

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

AACSB: Multicultural and Diversity

14) Institutional development of services by business and government has aided the expansion of international business by \_\_\_\_\_.

- A) providing a universally agreed upon language for conducting international transactions
- B) removing immigration restrictions so that international firms can move personnel wherever they are most needed
- C) developing means to ease the flow of goods among countries
- D) spurring competition among domestic producers

Answer: C

Diff: 1 Page Ref: 53

Skill: Concept

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

15) Which of the following has caused consumers to demand access to foreign-made products?

- A) Declining global affluence has caused consumers to seek out lower-priced products from abroad.
- B) Consumers have become more efficient in using media and technologies to compare prices worldwide.
- C) Fearing that their governments will enact restrictive policies on imports, consumers are stocking up on foreign products before restrictions are put in place.
- D) Expectations of rising prices of foreign products have caused consumers to seek foreign products before their prices become prohibitive.

Answer: B

Diff: 2 Page Ref: 53

Skill: Concept

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

AACSB: Use of IT

16) Which of the following is a reason that international business has grown at such a rapid pace in the past few decades?

- A) the end of the political schism between the Communist and non-Communist blocs
- B) stricter government policies on cross-border movements
- C) decreasing global competition
- D) increased concerns about terrorism

Answer: A

Diff: 1 Page Ref: 54

Skill: Concept

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

AACSB: Multicultural and Diversity

17) The recent expansion of technology has contributed to growth in international business through \_\_\_\_\_.

- A) the creation of new products that are important in world trade
- B) reducing the effects of global competition
- C) the tabulation of international transactions that previously did not appear in statistics
- D) the liberalization of regulations of movements of resources across borders

Answer: A

Diff: 2 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.5: How is technology affecting the growth of international business?

AACSB: Use of IT

18) Flower producers from Ecuador, Israel, and New Zealand all compete for sales in the same American markets. This is due primarily to \_\_\_\_\_.

- A) more effective domestic production techniques
- B) advances in communications
- C) advances in transportation
- D) cross-national cooperation in fighting insects that harm plants

Answer: C

Diff: 2 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

19) All the following statements are true about the increase and expansion of technology EXCEPT which one?

- A) Technology facilitates a company's headquarters' interactions with its foreign operations.
- B) Small companies can more easily access global customers and suppliers.
- C) Companies from more countries can compete for sales in foreign markets.
- D) Most analysts agree that the rate of development of new products will drop off in the future.

Answer: D

Diff: 2 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.5: How is technology affecting the growth of international business?

AACSB: Use of IT

20) Because of economic growth, a larger portion of the population can shift from \_\_\_\_\_ to \_\_\_\_\_.

- A) recycling old products; disposing of old products
- B) disposing of old products; recycling old products
- C) producing new products; developing new products
- D) developing new products; producing new products

Answer: C

Diff: 2 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.5: How is technology affecting the growth of international business?

AACSB: Use of IT

21) Because their citizens want a greater variety of goods and services at lower prices, many governments have \_\_\_\_\_.

- A) reduced their restrictions on the international movement of goods and services
- B) acted to reduce the pressures created by global competition
- C) sought to eliminate reciprocal advantages negotiated through international organizations and treaties
- D) increased their participation in multinational problem-solving efforts

Answer: A

Diff: 2 Page Ref: 54

Skill: Concept

Objective: STUDY QUESTION 1.6: Why have most governments lowered restrictions on international trade and resource movements?

22) Which of the following is a reason for recent governmental relaxation in restrictions on cross-border trade or resource movements?

- A) Most countries face shortages of workers, so they seek foreign workers who can help them produce more.
- B) Governments believe that this will decrease the need to make their own companies more innovative.
- C) Consumers increasingly want to buy goods and services produced in their own countries, making restrictions less necessary.
- D) Governments believe that domestic producers will become more efficient as a result of foreign competition.

Answer: D

Diff: 2 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.6: Why have most governments lowered restrictions on international trade and resource movements?

23) Which of the following is a reason for recent governmental relaxation in restrictions on cross-border trade or resource movements?

- A) Governments typically welcome the opportunity to increase the offshoring of a country's domestic producers.
- B) All countries have signed binding reciprocal trade agreements through international organizations.
- C) Governments hope that other countries will lower their barriers in response.

D) Most countries face surpluses of workers, so they seek foreign markets in need of labor supplies.

Answer: C

Diff: 2 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.6: Why have most governments lowered restrictions on international trade and resource movements?

24) A company starting out with a global focus, usually because of the international experience of its founders, is called a \_\_\_\_\_.

A) multinational enterprise

B) transnational company

C) strategically allied company

D) born-global company

Answer: D

Diff: 1 Page Ref: 53

Skill: Concept

Objective: STUDY QUESTION 1.7: What is the relationship between competition and globalization?

25) In a strategy known as \_\_\_\_\_, many new companies locate themselves near competitors and suppliers.

A) offshoring

B) franchising

C) clustering

D) exporting

Answer: C

Diff: 1 Page Ref: 53

Skill: Concept

Objective: STUDY QUESTION 1.7: What is the relationship between competition and globalization?

26) Companies often expand their business internationally in response to \_\_\_\_\_.

A) increased import restrictions in their domestic markets

B) competitive international advantages gained by their competitors

C) increased export restrictions in their domestic markets

D) a decrease in domestic competition

Answer: B

Diff: 2 Page Ref: 53

Skill: Application

Objective: STUDY QUESTION 1.7: What is the relationship between competition and globalization?

AACSB: Analytic Skills

27) When a company successfully responds to foreign production and market opportunities, \_\_\_\_\_.

A) other companies will likely emulate its successful practices

B) it likely has a long-term advantage over competitors

C) it typically downsizes its domestic operations

D) its home government likely raises taxes on the company

Answer: A

Diff: 2 Page Ref: 53

Skill: Application

Objective: STUDY QUESTION 1.7: What is the relationship between competition and globalization?

AACSB: Analytic Skills

28) According to your text, which of the following is NOT one of the three main reasons governments cooperate with each other?

A) to attack problems that one country acting alone cannot solve

B) to deal with areas of concern that lie outside the territory of any nation

C) to gain reciprocal advantages

D) to encourage cross-border movement of resources in response to interest rate differences

Answer: D

Diff: 1 Page Ref: 54

Skill: Concept

Objective: STUDY QUESTION 1.8: Why/how do countries cooperate with other countries? How does this cooperation affect international business?

29) Governments have signed treaties to protect foreign-owned property rights, such as investments and patents. A primary reason for doing so is to \_\_\_\_\_.

A) gain reciprocal advantages

B) reduce the domestic effects of other countries' economic policies

C) deal with areas of concern outside the territory of any one country

D) reduce national conflicts leading to violent encounters

Answer: A

Diff: 2 Page Ref: 54

Skill: Application

Objective: STUDY QUESTION 1.8: Why/how do countries cooperate with other countries? How does this cooperation affect international business?

AACSB: Analytic Skills

30) Which of the following is NOT a source of disagreement about the use of noncoastal areas of the oceans, outer space, and Antarctica?

A) There is little short-term business potential in these areas.

B) There is disagreement about how commercial benefits should be shared among nations.

C) There is disagreement about who should be allowed to develop where.

D) The commercial viability of some areas has only recently been demonstrated.

Answer: A

Diff: 2 Page Ref: 55

Skill: Concept

Objective: STUDY QUESTION 1.8: Why/how do countries cooperate with other countries? How does this cooperation affect international business?

31) Which of the following is a reason that governments cooperate through treaties, agreements, and consultation?

A) to gain a division of labor, such as by performing research and development in one country and production in another



- B) to be in compliance with United Nations' requirements
- C) to attack problems jointly that one country acting alone cannot solve
- D) to assure that all countries get an equitable share of taxes from multinational enterprises

Answer: C

Diff: 2 Page Ref: 54

Skill: Concept

Objective: STUDY QUESTION 1.8: Why/how do countries cooperate with other countries? How does this cooperation affect international business?

32) Small countries worry about overdependence caused by globalization. Their concerns include all of the following EXCEPT which of the following?

- A) A large country on whom they depend may pressure them on political matters.
- B) A large international company may dictate its terms of operations in a small country.
- C) A large company may exploit legal loopholes to avoid political oversight and taxes.
- D) A large country may reduce its level of cultural homogeneity.

Answer: D

Diff: 2 Page Ref: 56-57

Skill: Concept

Objective: STUDY QUESTION 1.9: What are the main criticisms of globalization?

AACSB: Multicultural and Diversity

33) Although critics complain that globalization causes the consumption of too many nonrenewable resources while despoiling the environment, those in favor of globalization counter that \_\_\_\_\_.

- A) globalization encourages the adoption of uniform and superior standards for combating environmental problems
- B) economic growth created by globalization is largely in services, which neither use too many nonrenewable resources nor despoil the environment
- C) the biggest problem of environmental despoliation occurs in the countries that are least globalized
- D) pollution and toxic runoff problems do not increase with economic growth

Answer: A

Diff: 2 Page Ref: 57

Skill: Concept

Objective: STUDY QUESTION 1.9: What are the main criticisms of globalization?

AACSB: Ethical Reasoning

34) Curtailment of logging in the Amazon region is generally viewed as environmentally beneficial for the planet as a whole. However, unemployed Brazilian workers have felt that job creation inside Brazil is more important than climate protection outside Brazil. This example best illustrates which of the following?

- A) why smaller countries are concerned that large international countries are powerful enough to dictate operating terms
- B) why globalization is needed to foster uniform standards for combating environmental problems
- C) how global interests can conflict with a country's local interests
- D) how cultural homogeneity threatens the cultural foundation of smaller nations

Answer: C

Diff: 2 Page Ref: 57

Skill: Application

Objective: STUDY QUESTION 1.9: What are the main criticisms of globalization?  
AACSB: Reflective Thinking

35) Although globalization may bring economic growth, critics nevertheless contend that \_\_\_\_\_.

- A) the growth is not fast enough
- B) the inequality of gains puts some people in a relatively worse economic situation
- C) this growth is mainly for the future, thus ignoring present economic growth needs
- D) the cultural foundations of sovereignty are supported by globalization

Answer: B

Diff: 2 Page Ref: 57

Skill: Concept

Objective: STUDY QUESTION 1.9: What are the main criticisms of globalization?

36) The process of shifting production from a domestic to a foreign location is known as \_\_\_\_\_.

- A) offshoring
- B) outsourcing
- C) licensing
- D) joint venturing

Answer: A

Diff: 1 Page Ref: 58

Skill: Concept

Objective: STUDY QUESTION 1.10: What is meant by offshoring? What are the major arguments for and against it?

37) Proponents of offshoring claim all EXCEPT which of the following?

- A) Aggregate employment figures show that displaced workers find new jobs.
- B) Offshoring increases the number of high-value jobs in the home countries of offshoring companies.
- C) Offshoring is fundamentally better for workers than the introduction of labor-saving technologies.
- D) There are upper limits on offshoring because there are not enough workers abroad with needed skills who will permanently work for low wages.

Answer: C

Diff: 2 Page Ref: 58-59

Skill: Concept

Objective: STUDY QUESTION 1.10: What is meant by offshoring? What are the major arguments for and against it?

38) A major criticism of offshoring is that it \_\_\_\_\_.

- A) increases production costs
- B) exchanges good jobs for bad jobs
- C) threatens the sovereignty of larger countries
- D) allows companies to avoid payment of any taxes

Answer: B

Diff: 2 Page Ref: 58

Skill: Concept

Objective: STUDY QUESTION 1.10: What is meant by offshoring? What are the major

arguments for and against it?

39) Critics of offshoring claim all EXCEPT which of the following?

- A) Cost savings are seldom passed on to final consumers.
- B) Workers who have been displaced by offshoring do not have the skills needed for higher-value jobs.
- C) Incomes of workers in offshoring countries have gone down as a percentage of national income.
- D) Offshoring reduces the incomes of people in low-wage countries.

Answer: D

Diff: 2 Page Ref: 58-59

Skill: Concept

Objective: STUDY QUESTION 1.10: What is meant by offshoring? What are the major arguments for and against it?

40) Which of the following conditions must be met for a company to increase profits through foreign sales?

- A) The company can obtain resources abroad.
- B) The costs to make the sales do not increase disproportionately.
- C) The company can offshore its production.
- D) The foreign market can be reached through exporting rather than direct investment.

Answer: B

Diff: 2 Page Ref: 60

Skill: Concept

Objective: STUDY QUESTION 1.11: Why do companies engage in international business? (What advantages do they gain?)

41) The televising of sports competitions to viewers in multiple countries is an example of international business conducted to achieve the objective of \_\_\_\_\_.

- A) acquiring resources
- B) minimizing risk
- C) offshoring
- D) sales expansion

Answer: D

Diff: 2 Page Ref: 60

Skill: Application

Objective: STUDY QUESTION 1.11: Why do companies engage in international business? (What advantages do they gain?) AACSB: Reflective Thinking

42) A motive for a company to conduct international business is to acquire resources abroad.

Which of the following is NOT an example of a resource acquisition motive?

- A) producing with lower labor costs
- B) gaining knowledge that the company can use elsewhere
- C) following a customer into a foreign market
- D) gaining the means to differentiate a product

Answer: C

Diff: 2 Page Ref: 60

Skill: Concept

Objective: STUDY QUESTION 1.11: Why do companies engage in international business? (What advantages do they gain?)

43) By operating internationally, a company may reduce its risks because it can \_\_\_\_\_.

- A) take advantage of business-cycle differences among countries
- B) buy competitive risk insurance not available in its home country
- C) prevent competitors from operating in the countries it has entered
- D) operate in less competitive environments than those at home

Answer: A

Diff: 2 Page Ref: 61

Skill: Concept

Objective: STUDY QUESTION 1.11: Why do companies engage in international business? (What advantages do they gain?)

44) An example of a U.S. merchandise import is an automobile made in \_\_\_\_\_ and sold \_\_\_\_\_.

- A) the United States by a Japanese company; in the United States
- B) the United States by a Japanese company; outside the United States
- C) Japan by a Japanese company; in the United States
- D) Japan by a U.S. company; outside the United States

Answer: C

Diff: 2 Page Ref: 61

Skill: Application

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

AACSB: Reflective Thinking

45) Visible exports and imports are \_\_\_\_\_.

- A) merchandise imports and exports
- B) the sum total of goods and services traded
- C) international transactions paid for in money rather than barter
- D) typically a country's least common international economic transactions

Answer: A

Diff: 1 Page Ref: 64

Skill: Concept

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

46) An example of a Japanese service export is a visit by a \_\_\_\_\_.

- A) Japanese citizen to Disneyland in the United States
- B) Japanese citizen to the Japan Pavilion at Epcot Center in the United States
- C) U.S. citizen to the Japan Pavilion at Epcot Center in the United States
- D) U.S. citizen to Tokyo Disneyland in Japan

Answer: D

Diff: 2 Page Ref: 61

Skill: Application

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

AACSB: Reflective Thinking

47) Royalties from the use of assets abroad, such as trademarks or patents, are an example of \_\_\_\_\_.

- A) merchandise trade
- B) service trade

- C) visible trade
- D) a joint venture

Answer: B

Diff: 2 Page Ref: 62

Skill: Concept

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

48) A foreign direct investment occurs \_\_\_\_\_.

- A) only when a company owns more than 50 percent of a foreign firm
- B) when a company controls a company abroad
- C) when foreign ownership is in private rather than government securities
- D) with the establishment of a partnership rather than the purchase of a foreign firm

Answer: B

Diff: 2 Page Ref: 62

Skill: Concept

Objective: STUDY QUESTION 1.13: What are the types of foreign investment?

49) Foreign direct investment \_\_\_\_\_.

- A) is undertaken only by large companies
- B) includes the ownership of foreign bonds
- C) includes partially owned foreign operations as long as the owner has controlling interest
- D) in terms of value, is mainly undertaken by small companies

Answer: C

Diff: 2 Page Ref: 62

Skill: Concept

Objective: STUDY QUESTION 1.13: What are the types of foreign investment?

50) When two or more organizations share ownership of a foreign direct investment, the operation is called a \_\_\_\_\_.

- A) portfolio investment
- B) transnational corporation
- C) turnkey operation
- D) joint venture

Answer: D

Diff: 1 Page Ref: 62

Skill: Concept

Objective: STUDY QUESTION 1.13: What are the types of foreign investment?

51) Which of the following is an example of an international portfolio investment?

- A) foreign ownership of bonds
- B) ownership of patents used by a foreign company
- C) a joint venture with a foreign company
- D) one of a group of several foreign companies wholly owned by the same investor

Answer: A

Diff: 2 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.13: What are the types of foreign investment?

- 52) A multinational enterprise (MNE) is one that is \_\_\_\_\_.
- A) among the world's 500 largest companies
  - B) owned and managed by companies whose headquarters are split among different countries
  - C) licensed to operate by the United Nations Transnational Center
  - D) willing to consider market and production locations anywhere in the world

Answer: D

Diff: 1 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.14: What is a multinational enterprise (MNE)?

- 53) According to the definition used in your text, a company with operations in more than one country is a(n) \_\_\_\_\_.

- A) multinational enterprise
- B) joint venture partner
- C) international operator
- D) born-global company

Answer: A

Diff: 1 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.14: What is a multinational enterprise (MNE)?

- 54) The term sometimes used by the United Nations as a synonym for multinational enterprise is \_\_\_\_\_.

- A) multinational corporation
- B) transnational company
- C) stateless company
- D) global enterprise

Answer: B

Diff: 2 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.14: What is a multinational enterprise (MNE)?

- 55) Which of the following must be true about a company in order for it to be considered a multinational enterprise?

- A) The company is large with vast resources.
- B) The company holds direct investments in at least five countries.
- C) The company does not limit its evaluation of markets and production to any one country.
- D) The organization must be a born-global company.

Answer: C

Diff: 2 Page Ref: 63

Skill: Application

Objective: STUDY QUESTION 1.14: What is a multinational enterprise (MNE)?

AACSB: Analytic Skills

- 56) Politics, law, culture, and economy are all examples of \_\_\_\_\_ factors that can affect the ways in which companies produce and sell their products in foreign markets.

- A) social
- B) physical
- C) competitive

D) political

Answer: A

Diff: 1 Page Ref: 64

Skill: Concept

Objective: STUDY QUESTION 1.15: What do we mean by a company's physical and social environments? Why should companies understand them when engaging in international business?

57) Managers who are knowledgeable about \_\_\_\_\_ are better able to identify the location, quantity, quality, and availability of the world's natural resources.

A) political factors

B) geographic factors

C) competitive factors

D) cultural factors

Answer: B

Diff: 1 Page Ref: 64

Skill: Concept

Objective: STUDY QUESTION 1.15: What do we mean by a company's physical and social environments? Why should companies understand them when engaging in international business?

58) Although U.S. films depend heavily on revenue in foreign countries, revenue from international markets is usually low for a sports-themed film. This is due to \_\_\_\_\_ factors.

A) political

B) geographic

C) behavioral

D) legal

Answer: C

Diff: 2 Page Ref: 65

Skill: Application

Objective: STUDY QUESTION 1.15: What do we mean by a company's physical and social environments? Why should companies understand them when engaging in international business?

AACSB: Reflective Thinking

59) In addition to understanding the laws affecting business in countries where their companies operate, it is most important for managers to understand which of the following legal factors?

A) the methods for appointing judges

B) the ethical rationale behind the laws

C) the history of the country's legal system

D) the degree of enforcement of laws

Answer: D

Diff: 2 Page Ref: 65

Skill: Concept

Objective: STUDY QUESTION 1.15: What do we mean by a company's physical and social environments? Why should companies understand them when engaging in international business?

AACSB: Ethical Reasoning

60) Some key \_\_\_\_\_ factors in the external environment of an international business are product strategy and resource base and experience.

A) geographic

B) political

- C) competitive
- D) behavioral

Answer: C

Diff: 1 Page Ref: 66

Skill: Concept

Objective: STUDY QUESTION 1.16: How does a company's competitive environment affect its international operations? How might its competitive environment differ from one country to another?

61) The same automobile company produces Fiats and Ferraris. The company built an engine plant in China with low production costs for Fiats, but not Ferraris. The probable reason is that

- A) Fiat competes mainly on a focus strategy, whereas Ferrari competes mainly on a mass-market strategy
- B) Fiat competes mainly on a mass-market strategy, whereas Ferrari competes mainly on a focus strategy
- C) Ferrari faces global competitors in China, whereas Fiat competes in China mainly against Chinese competitors
- D) although Ferrari did not build an engine plant, it will use the same Fiat engines in its models

Answer: B

Diff: 2 Page Ref: 66

Skill: Application

Objective: STUDY QUESTION 1.16: How does a company's competitive environment affect its international operations? How might its competitive environment differ from one country to another?

AACSB: Analytic Skills

62) Which of the following statements is true concerning the international business competitive environment?

- A) Although countries' market sizes differ, companies usually face about the same number of competitors in each national market.
- B) In most industries, companies face the same competitors in each country where they operate.
- C) It takes about the same amount of resources to gain national distribution in a large country as in a small one.
- D) Being a leader in one country doesn't guarantee you'll be a leader in any other country.

Answer: D

Diff: 2 Page Ref: 66

Skill: Application

Objective: STUDY QUESTION 1.16: How does a company's competitive environment affect its international operations? How might its competitive environment differ from one country to another?

AACSB: Analytic Skills

63) When companies face the same competitors in almost all countries where they operate,

- A) what they learn about each other in one country is useful in predicting the other's strategies and actions elsewhere
- B) the market leader is the same everywhere
- C) there is less need to understand the physical and societal factors of each country



D) they are less likely to enter joint ventures with other companies

Answer: A

Diff: 2 Page Ref: 66

Skill: Application

Objective: STUDY QUESTION 1.16: How does a company's competitive environment affect its international operations? How might its competitive environment differ from one country to another?

AACSB: Analytic Skills

64) The view that globalization is inevitable is based on the belief that \_\_\_\_\_.

A) international organizations will replace nation states

B) protesters against globalization will be persuaded to change their views

C) people want more global homogeneity of cultures

D) technical advances in transportation and communications are too pervasive for globalization's growth to be hindered

Answer: D

Diff: 2 Page Ref: 67

Skill: Concept

Objective: STUDY QUESTION 1.17: What are the three main viewpoints about the future of globalization?

AACSB: Use of IT

65) Critics of the view that regionalization will prevail over globalization base their argument on the belief that \_\_\_\_\_.

A) regionalization is a transition stage toward globalization

B) neighboring countries are more apt to disagree politically than countries that are distant from each other

C) neighboring countries are too geographically similar to have many different goods to trade with each other

D) business in non-territorial areas is not regional

Answer: A

Diff: 2 Page Ref: 67

Skill: Concept

Objective: STUDY QUESTION 1.17: What are the three main viewpoints about the future of globalization?

66) Which of the following is NOT cited in your text as support for the belief that the pace of globalization will slow or reverse?

A) Antiglobalization interests have been successful in electing parties that oppose freer movement of trade or people.

B) Technological advances will slow in the future.

C) Some major countries have either ignored international treaties or have refused to sign them.

D) The growing split between parties who succeed in a global environment and those who do not will foster greater antiglobalization sentiments.

Answer: B

Diff: 2 Page Ref: 67

Skill: Application

Objective: STUDY QUESTION 1.17: What are the three main viewpoints about the future of globalization?

AACSB: Analytic Skills

67) Some observers feel that international institutions and the people working in them cannot adequately handle the complexities of an interconnected world. Based on this, these observers believe that \_\_\_\_\_.

- A) international business will grow primarily on a regional basis
- B) globalization is nevertheless inevitable
- C) globalization will slow in the future
- D) private companies will replace international organizations in running the world's economy

Answer: C

Diff: 2 Page Ref: 68

Skill: Application

Objective: STUDY QUESTION 1.17: What are the three main viewpoints about the future of globalization?

AACSB: Analytic Skills

68) In Chapter One's opening case on the globalization of sports, the owner of a U.S. football team and the owner of a Canadian hockey team bought a British soccer team. This is an example of \_\_\_\_\_.

- A) royalties
- B) portfolio investment
- C) a turnkey operation
- D) a joint venture

Answer: D

Diff: 2 Page Ref: 62

Skill: Application

Objective: STUDY QUESTION 1.18: What lessons in chapter 1 are illustrated by the opening or closing case?

AACSB: Reflective Thinking

69) In Chapter One's opening case on the globalization of sports, we saw that many teams have foreign players. These players have moved abroad primarily because of \_\_\_\_\_ factors.

- A) economic
- B) geographic
- C) international legal
- D) offshoring

Answer: A

Diff: 2 Page Ref: 46

Skill: Concept

Objective: STUDY QUESTION 1.18: What lessons in chapter 1 are illustrated by the opening or closing case?

70) In Chapter One's closing case on Carnival Cruise Lines, we saw that cruise lines pay little or no taxes because \_\_\_\_\_.

- A) of international tax treaties
- B) they take advantage of different taxation and employment laws in foreign countries
- C) international law does not apply in noncoastal areas of the oceans
- D) they use focus strategies

Answer: B

Diff: 2 Page Ref: 70

Skill: Application

Objective: STUDY QUESTION 1.18: What lessons in chapter 1 are illustrated by the opening or closing case?

AACSB: Analytic Skills

71) A flag of convenience is \_\_\_\_\_.

A) the declaration that a product is made in a country that has easier legal access to a given foreign market

B) a designation for products originating within a particular trading group

C) the registration of a shipping or cruise company in a country that charges low taxes

D) one representing the piracy of ships in international waters

Answer: C

Diff: 2 Page Ref: 70

Skill: Concept

Objective: STUDY QUESTION 1.18: What lessons in chapter 1 are illustrated by the opening or closing case?

72) Globalization refers to all economic transactions among countries.

Answer: FALSE

Diff: 1 Page Ref: 49

Skill: Concept

Objective: STUDY QUESTION 1.1: What are international business and globalization? What is the relationship between them?

73) International business includes all commercial transactions between two or more countries.

Answer: TRUE

Diff: 1 Page Ref: 49

Skill: Concept

Objective: STUDY QUESTION 1.1: What are international business and globalization? What is the relationship between them?

74) Gaining some understanding of international business is important for any business student because global events and competition affect almost all companies.

Answer: TRUE

Diff: 1 Page Ref: 50

Skill: Concept

Objective: STUDY QUESTION 1.2: Why should you study international business?

75) The best way of conducting business domestically is also typically the best way to conduct business internationally.

Answer: FALSE

Diff: 1 Page Ref: 50

Skill: Concept

Objective: STUDY QUESTION 1.2: Why should you study international business?

AACSB: Multicultural and Diversity

76) It is difficult to compare globalization of business over time because shifting national borders have changed the nature of transactions from domestic to international and vice versa.

Answer: TRUE

Diff: 2 Page Ref: 51

Skill: Concept

Objective: STUDY QUESTION 1.3: Explain how globalization has changed over time and differs both among countries and within countries.

AACSB: Multicultural and Diversity

77) Most countries' imports account for more than half of their citizens' consumption.

Answer: FALSE

Diff: 2 Page Ref: 51

Skill: Concept

Objective: STUDY QUESTION 1.3: Explain how globalization has changed over time and differs both among countries and within countries.

78) The lowering of tax rates around the world is one of the seven major forces behind recent globalization.

Answer: FALSE

Diff: 2 Page Ref: 51-52

Skill: Concept

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

79) Globalization of business has been stimulated by institutional developments that aid foreign trade and investment.

Answer: TRUE

Diff: 1 Page Ref: 53

Skill: Concept

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

80) The recent expansion of technology has contributed to the growth in international business by creating new products that are important in world trade.

Answer: TRUE

Diff: 1 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.5: How is technology affecting the growth of international business?

AACSB: Use of IT

81) Improvements in transportation and communications enable managers to better oversee foreign operations.

Answer: TRUE

Diff: 1 Page Ref: 52

Skill: Concept

Objective: STUDY QUESTION 1.5: How is technology affecting the growth of international business?

AACSB: Use of IT

82) Import restrictions are becoming less important because consumers increasingly want to buy

goods and services produced in their own countries.

Answer: FALSE

Diff: 2 Page Ref: 53-54

Skill: Application

Objective: STUDY QUESTION 1.6: Why have most governments lowered restrictions on international trade and resource movements?

AACSB: Analytic Skills

83) Countries have reduced import trade barriers in the expectation that other countries will do the same.

Answer: TRUE

Diff: 2 Page Ref: 54-55

Skill: Application

Objective: STUDY QUESTION 1.6: Why have most governments lowered restrictions on international trade and resource movements?

AACSB: Analytic Skills

84) Many companies merge with or acquire other companies to gain operating efficiencies that help them compete with or become global leaders.

Answer: TRUE

Diff: 2 Page Ref: 53

Skill: Concept

Objective: STUDY QUESTION 1.7: What is the relationship between competition and globalization?

AACSB: Analytic Skills

85) It is rare for a new company to locate its operations near competitors and suppliers.

Answer: FALSE

Diff: 2 Page Ref: 53

Skill: Concept

Objective: STUDY QUESTION 1.7: What is the relationship between competition and globalization?

86) Governments sometimes cooperate to deal with areas of concern that lie outside the territory of any one country.

Answer: TRUE

Diff: 1 Page Ref: 54

Skill: Concept

Objective: STUDY QUESTION 1.8: Why/how do countries cooperate with other countries? How does this cooperation affect international business?

AACSB: Ethical Reasoning

87) Governments cooperate through treaties to create a global division of labor.

Answer: FALSE

Diff: 1 Page Ref: 54

Skill: Concept

Objective: STUDY QUESTION 1.8: Why/how do countries cooperate with other countries? How does this cooperation affect international business?

88) People favoring globalization claim that the process helps countries strengthen their sovereignty.

Answer: FALSE

Diff: 2 Page Ref: 56

Skill: Concept

Objective: STUDY QUESTION 1.9: What are the main criticisms of globalization?

AACSB: Multicultural and Diversity

89) A criticism of globalization is that as economic growth increases, too many nonrenewable resources are used.

Answer: TRUE

Diff: 2 Page Ref: 57

Skill: Concept

Objective: STUDY QUESTION 1.9: What are the main criticisms of globalization?

AACSB: Ethical Reasoning

90) The process of shifting production to a foreign country is known as outsourcing.

Answer: FALSE

Diff: 1 Page Ref: 58

Skill: Concept

Objective: STUDY QUESTION 1.10: What is meant by offshoring? What are the major arguments for and against it?

91) A major argument against offshoring is that cost savings are not passed on to consumers.

Answer: TRUE

Diff: 2 Page Ref: 58

Skill: Concept

Objective: STUDY QUESTION 1.10: What is meant by offshoring? What are the major arguments for and against it?

92) Many professional basketball teams recruit tall youngsters in foreign countries into basketball camps where they can develop basketball skills and perhaps become candidates for professional play. This is an example of engaging in international business to acquire resources.

Answer: TRUE

Diff: 2 Page Ref: 60

Skill: Application

Objective: STUDY QUESTION 1.11: Why do companies engage in international business? (What advantages do they gain?) AACSB: Reflective Thinking

93) By operating internationally, a company may take advantage of business-cycle differences among countries and thereby reduce its financial risks.

Answer: TRUE

Diff: 2 Page Ref: 61

Skill: Concept

Objective: STUDY QUESTION 1.11: Why do companies engage in international business? (What advantages do they gain?)

94) The production of goods by a French company in Italy for sale in Italy is an example of an Italian merchandise import.

Answer: FALSE

Diff: 2 Page Ref: 61

Skill: Application

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

AACSB: Reflective Thinking

95) When a U.S. citizen flies Japan Airlines, it is a service export for Japan.

Answer: TRUE

Diff: 2 Page Ref: 61-62

Skill: Application

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

AACSB: Reflective Thinking

96) A joint venture is an example of a portfolio investment.

Answer: FALSE

Diff: 2 Page Ref: 62

Skill: Concept

Objective: STUDY QUESTION 1.13: What are the types of foreign investment?

97) The ownership of foreign bonds is an example of a portfolio investment.

Answer: TRUE

Diff: 2 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.13: What are the types of foreign investment?

98) A multinational enterprise is a company that takes a global approach to markets and production.

Answer: TRUE

Diff: 1 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.14: What is a multinational enterprise (MNE)?

99) The terms multinational corporation and multinational company are frequently used synonyms for strategic alliances.

Answer: FALSE

Diff: 2 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.14: What is a multinational enterprise (MNE)?

100) Geographical barriers often affect distribution channels within countries, but they rarely affect communication.

Answer: FALSE

Diff: 2 Page Ref: 64

Skill: Concept

Objective: STUDY QUESTION 1.15: What do we mean by a company's physical and social environments? Why should companies understand them when engaging in international business?

101) Managers need to understand not only the laws of countries where they operate, but also how

those laws are enforced.

Answer: TRUE

Diff: 2 Page Ref: 65

Skill: Concept

Objective: STUDY QUESTION 1.15: What do we mean by a company's physical and social environments? Why should companies understand them when engaging in international business?

AACSB: Multicultural and Diversity

102) A company with limited resources is more likely to achieve national distribution within a small country than within a large country.

Answer: TRUE

Diff: 2 Page Ref: 66

Skill: Application

Objective: STUDY QUESTION 1.16: How does a company's competitive environment affect its international operations? How might its competitive environment differ from one country to another?

AACSB: Analytic Skills

103) The fact that a company is the market leader in one country is no guarantee that it will be the leader in another country.

Answer: TRUE

Diff: 2 Page Ref: 66

Skill: Concept

Objective: STUDY QUESTION 1.16: How does a company's competitive environment affect its international operations? How might its competitive environment differ from one country to another?

104) The view that globalization is inevitable is primarily based on the belief that international organizations will replace nation states.

Answer: FALSE

Diff: 1 Page Ref: 67

Skill: Concept

Objective: STUDY QUESTION 1.17: What are the three main viewpoints about the future of globalization?

105) The view that regionalization, rather than globalization, will prevail in the future is largely based on the use of common languages among countries in a region.

Answer: FALSE

Diff: 2 Page Ref: 67

Skill: Concept

Objective: STUDY QUESTION 1.17: What are the three main viewpoints about the future of globalization?

AACSB: Multicultural and Diversity

106) In a short essay, define international business.

Answer: International business is all commercial transactions;—private and

governmental— between two or more countries. Private businesses undertake such transactions for profit; governments may or may not do the same in their transactions. These transactions include



sales, investments, and transportation.

Diff: 1 Page Ref: 49

Skill: Concept

Objective: STUDY QUESTION 1.1: What are international business and globalization? What is the relationship between them?

107) In a short essay, discuss why the study of international business is important to managers.

Answer: A simple answer is that international business comprises a large and growing portion of the world's total business. Global events affect almost all companies. A more complex answer is that a company operating internationally will engage in modes of business, such as exporting and importing, that differ from those it is accustomed to domestically. To operate effectively, managers must understand these different modes.

Diff: 2 Page Ref: 49-50

Skill: Application

Objective: STUDY QUESTION 1.2: Why should you study international business?

AACSB: Analytic Skills

108) In a short essay, list and describe seven major factors that have led to the increased growth in international business in recent decades.

Answer:

- a. Rapid increase in an expansion of technology— By increasing the demand for new products and services, technology has tremendous impact on international business. As the demand increases, so do the number of international business transactions. Improved communications and transportation speed up interactions and improve managers' ability to control foreign operations.
- b. Liberalization of cross-border movements— Although the past decrease in restrictions has been erratic, governments have lowered barriers because their citizens have expressed the desire for better access to a greater variety of goods and services at lower prices. Governments also reason that their domestic producers will become more efficient as a result of foreign competition, and they hope to induce other countries to reduce their barriers to international movements.
- c. Increase in global competition— The pressures of increased foreign competition can persuade a company to expand its business into international markets. Today companies can respond rapidly to many foreign sales opportunities. They can shift production quickly among countries if they're experienced in foreign markets and because they can transport goods efficiently from most places.
- d. Growing consumer pressures— Consumers are savvier and have more income. They want to be able to buy the variety and low-cost products available from anywhere in the world.
- e. Development of supporting services— Companies and governments have developed services that ease international business. Today, producers can be paid relatively easily for goods and services sold abroad because of bank credit agreements, clearing arrangements that convert one country's currency into another's, and insurance that covers damage en route and nonpayment by the buyer.
- f. Changing political situations— The schism between communist and noncommunist countries is basically over, as communist countries have moved toward transitioning their economies; therefore, trade between these countries has increased.
- g. Expanded cross-national cooperation— Countries realize they can't go it alone. They cooperate to gain reciprocal advantages, to attack problems jointly, and to deal with areas outside the confines of any country.

Diff: 3 Page Ref: 51-55

Skill: Application

Objective: STUDY QUESTION 1.4: Identify and explain the seven forces that have been causing the growth in globalization.

AACSB: Analytic Skills

109) In a short essay, discuss why governments have been liberalizing cross-border movements of goods, services, and resources.

Answer: Generally, governments today impose fewer restrictions on cross-border movements than they did a decade or two ago. They have lowered them for the following reasons:

- a. Their citizens have expressed the desire for easier access to a greater variety of goods and services at lower prices.
- b. They reason that their domestic producers will become more efficient as a result of foreign competition.
- c. They hope to induce other countries to reduce their barriers to international movements.

Diff: 2 Page Ref: 52

Skill: Application

Objective: STUDY QUESTION 1.6: Why have most governments lowered restrictions on international trade and resource movements?

AACSB: Analytic Skills

110) Give at least two examples of business and government services that ease the conduct of international business.

Answer: Banks have developed efficient means for companies to receive payment for their foreign sales. Today, most producers can be paid relatively easily for goods and services sold abroad because of bank credit agreements, clearing arrangements that convert one country's currency into another's, and insurance that covers damage en route and nonpayment by the buyer.

Diff: 2 Page Ref: 53

Skill: Application

Objective: STUDY QUESTION 1.6: Why have most governments lowered restrictions on international trade and resource movements?

AACSB: Reflective Thinking

111) In a short essay, list and describe the three primary reasons companies engage in international business.

Answer:

- a. To expand sales— The number of people and the amount of their purchasing power are higher for the world as a whole than for a single country, so companies may increase their sales by reaching international markets. Ordinarily, higher sales mean higher profits, assuming the costs of international marketing and distribution do not outpace profits.
- b. To acquire resources— Manufacturers and distributors seek out products, services, and components produced in foreign countries. They also look for foreign capital, technologies, and information they can use at home. Sometimes they do this to reduce costs. Acquiring resources may enable a company to improve its product quality and differentiate itself from competitors— in both cases, potentially increasing market share and profits.
- c. To minimize competitive risk— Many companies enter into international business for defensive reasons. They want to counter advantages competitors might gain in foreign markets that, in turn, could hurt them domestically.

Diff: 2 Page Ref: 60-61

Skill: Application

Objective: STUDY QUESTION 1.11: Why do companies engage in international business? (What advantages do they gain?) AACSB: Analytic Skills

112) In a short essay, define and give examples of merchandise and service imports and exports.

Answer:

a. Merchandise exports are tangible products— goods— sent out of a country. Merchandise imports are goods brought into a country. When a Chinese contractor sends toy action figures from China to Hasbro in the United States, the contractor exports and Hasbro imports.

b. Service exports and imports generate nonproduct international earnings. The company or individual receiving payment is making a service export. The company or individual paying is making a service import. When an American tourist stays at a hotel in London, the hotel stay is the service export.

Diff: 2 Page Ref: 61

Skill: Application

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

AACSB: Reflective Thinking

113) In a short essay, list and discuss three sources of service exports and imports.

Answer:

a. Tourism and transportation— International tourism and transportation are important sources of revenue for airlines, shipping companies, travel agencies, and hotels.

b. Performance of services— Some services, such as banking, insurance, rentals, engineering, and management services, net companies earnings in the form of fees. On an international level, for example, companies pay fees for engineering services that are often handled through turnkey operations. Companies also pay fees for management contracts.

c. Use of assets— When companies allow others to use their assets, such as trademarks, patents, copyrights, or expertise under contracts, they receive earnings called royalties. Dividends and interest paid on foreign investments are also treated as service exports and imports because they represent the use of assets.

Diff: 3 Page Ref: 61-62

Skill: Application

Objective: STUDY QUESTION 1.12: Define and give examples of merchandise and service imports and exports.

AACSB: Analytic Skills

114) In a short essay, describe the following modes of international business discussed in the text: licensing and franchising, turnkey operations, management contracts, direct investment, and portfolio investment.

Answer:

a. Licensing and franchising— Licensing agreements are used when companies allow others to use their assets, such as trademarks, patents, copyrights, or expertise under contract. Franchising is a mode of business in which one party allows another party the use of a trademark that is an essential asset for the franchisee's business.

b. Turnkey operations— Refers to business operations, performed under contract, that are transferred to the owner when they are ready to begin operating.

- c. Management contracts– Refers to arrangements in which one company provides personnel to perform general or specialized management functions for another company.
- d. Direct and portfolio investment– A direct investment is one that gives the investor a controlling interest in a foreign company. A portfolio investment is a noncontrolling interest in a company or ownership of a loan to another party.

Diff: 3 Page Ref: 61-63

Skill: Application

Objective: STUDY QUESTION 1.13: What are the types of foreign investment?

AACSB: Analytic Skills

115) In a short essay, define a multinational enterprise.

Answer: The multinational enterprise (MNE) is a company that takes a global approach to foreign markets and production. It is willing to consider market and production locations anywhere in the world. However, most writers use the term to mean any company with operations in more than one country.

Diff: 1 Page Ref: 63

Skill: Concept

Objective: STUDY QUESTION 1.14: What is a multinational enterprise (MNE)?

116) In a short essay, identify and discuss the five key physical and social factors that affect how a company conducts international business.

Answer:

- a. Geographical influences– Geographical differences account for the uneven distribution of the world's resources, which greatly influences where different products and services are produced. Geographical barriers within a country or between countries affect distribution and sometimes communication channels. Another geographical factor is the potential for natural disasters– such as floods, hurricanes, or earthquakes– that would disrupt business or affect the availability of supplies or the prices of products. Finally, population distribution and environmental impact will likely become more important influences on international business.
- b. Political policies– A nation's political policies of course affect how international business is conducted within its borders. In particular, political disputes can disrupt the flow of international business.
- c. Legal policies– Domestic law, which includes both home- and host-country regulations on issues such as taxation and employment, affects how a company can operate internationally. International law– the legal agreements between countries– also obviously affects multinational enterprises. However, all laws are not equally enforced throughout the world. Because some countries have not joined in international treaties or have chosen to ignore some aspects of international law, managers of an international business must understand how laws are enforced abroad.
- d. Behavioral factors– It is important for managers of an international business to understand values, attitudes, and beliefs in foreign environments; this understanding can help them make informed operating decisions in different countries.
- e. Economic forces– Economics helps to explain a number of factors relevant to international business: why countries exchange goods and services, why one country's currency has a certain worth in comparison to another's, and why one country can produce goods and services at a different cost than another.

Diff: 3 Page Ref: 64-65

Skill: Application

Objective: STUDY QUESTION 1.15: What do we mean by a company's physical and social environments? Why should companies understand them when engaging in international business?

AACSB: Multicultural and Diversity

117) In a short essay, identify and explain three competitive factors that influence international businesses.

Answer:

- a. Product strategy— A company's choice of strategy, either cost or differentiation, plays a part in determining how and where the company will operate.
- b. Company resources and experience— A company's size, resources, and experience in comparison to competitors' affects how it will operate in international markets. In addition, a company's national market share and brand recognition will affect the operating tactics it employs.
- c. Competitors faced in each market— Success for a company in any market will always be influenced by the strategies and operations of competitors within the market.

Diff: 2 Page Ref: 66

Skill: Application

Objective: STUDY QUESTION 1.16: How does a company's competitive environment affect its international operations? How might its competitive environment differ from one country to another?

AACSB: Analytic Skills

118) In a short essay, identify the three main opinions about the future of globalization and explain at least one argument supporting each opinion.

Answer: The three main views of the future of globalization are as follows: further globalization is inevitable, or international business will grow regionally rather than globally, or forces working against globalization will slow both trends. The view that increased growth in international business is inevitable is supported by the power of MNEs who have multiple production and distribution networks and are able to pressure governments to place fewer restrictions on international business. The view that growth will occur regionally rather than globally is based on studies that show that most "global" transactions actually occur between neighboring countries. Finally, the view that globalization will be slowed by pressure from the antiglobalization movement to raise barriers and reject international treaties and organizations stems from the success of such groups in the past.

Diff: 3 Page Ref: 67

Skill: Application

Objective: STUDY QUESTION 1.17: What are the three main viewpoints about the future of globalization?

AACSB: Analytic Skills