

Student name: \_\_\_\_\_

Business conducted within a foreign country is known as foreign business.

true

false

A multinational company (MNC) is a company headquartered in another nation.

true

false

A firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and global.

true

false

A small gourmet food company operates solely within its own country's borders. As such, it need only be concerned with the domestic market.

true

false

The term environment encompasses multiple forces that impact the firm's operations.

true

false

The structure of the organization is an external environmental force.

true

false

Lobbyists who advocate for new laws that will affect the production standards of a business are an example of an internal force.

true

false

The foreign environment consists of the interactions between the domestic environmental forces and the foreign environmental forces, as well as interactions between the foreign environmental forces of two countries.

true

false

Decision making is more complex in an international environment than it is in a purely domestic environment.

true

false

After Sasha was transferred from the U.S. home office to the French satellite office, she was frustrated that most of her workers took the month of August off for vacation. She believed they would work the extra hours if she offered them bonus pay, but they weren't interested. Sasha is exhibiting a self-reference criterion in misunderstanding her workforce's motivations.

true

false

Britain was the world's leading manufacturing country for about 1,800 years, until it was replaced by the United States in the 1800s.

true

false

The plague known as the Black Death moved west and affected more people as the international trading system expanded.

true

false

The 17th and 18th centuries have frequently been termed the *age of industrialism* because this was the period when industrialization was advanced to the masses.

true

false

Urbanization and industrialization in emerging markets are causing economic centers to shift from Europe and the Americas to Asia.

true

false

Multinational corporations consist of several entities in different countries, each of which has its own independent strategy and policies.

true

false

A nation's GNI and a company's sales are directly comparable because GNI is a measure of value added, as are sales.

true

false

Foreign direct investment includes investment in equipment, organizations, and company stock in a foreign country.

true

false

When company A in the UK signed a long-term contract to supply essential parts to company B in the U.S., company A decided to move its operations to the U.S. to discourage competitors from taking away the business. This is an example of a market driver.

true

false

The advent of globalization has had minimal effect on labor standards around the world.

true

false

Opponents of globalization point out that it has contributed to a decline in environmental conditions.

true

false

The global COVID-19 pandemic fostered antagonism toward globalization, with critics saying that the interconnectedness of nations and people exacerbated the scope of the infection.

true

false

Critics of globalization point to countries that are fully self-reliant for all the goods and services they need.

true

false

An aluminum siding manufacturer is headquartered in South Carolina. It does business in the United States and exports to Europe and South America. This company is an example of a(n) domestic corporation.

foreign subsidiary.

global partnership.

multinational company.

Patel Corporation has manufacturing operations in the United States, Germany, Indonesia, and Brazil. Patel Corporation is an example of a(n)

state-owned corporation.

distribution center.

international affiliate.

multinational company.

Foreign business denotes

a business with operations in multiple nations.

business conducted within a foreign country.

an organization with multicountry affiliates.

an organization that attempts to standardize operations worldwide.

The construction industry has joined the ranks of other industries and now carries out business across national borders. In other words, the construction industry has become a(n)

foreign-owned company.

domestic affiliate.

international affiliate.

international business.

International business differs from domestic business in that a firm operating across borders must deal with the forces associated with which three kinds of environments?

geographic, political, economic

foreign, domestic, international

initial, secondary, primary

technological, economic, sociocultural

*Environment* involves the forces surrounding and influencing the life and development of the firm and is classified as

primary and secondary.

controllable and uncontrollable.

domestic and foreign.

representative and democratic.

National Lumber is frustrated with the lobbyists who are currently trying to influence Congress to raise taxes for all corporations in the wood products industry. In the environment of National Lumber, these lobbyists are an example of

a foreign environment.

controllable forces.

a domestic environment.

uncontrollable forces.

What is an example of an internal force that can affect a company's environment?

economic downturn

availability of natural resources

international competitors

human resources

What is an example of an external force that can affect a company's environment?

The marketing department decides that online advertising will work best for a new product introduction.

A manufacturing plant purchases new equipment to automate a process.

The newly-elected governor decides to raise property taxes.

A human resource professional meets with staff to discuss hiring temporary help.

American Industries is located near an urban area, which provides it with a large pool of potential employees. Recruiting employees is an example of a(n) \_\_\_\_\_ because it is controllable.

sociocultural commodity

labor standard

external force

internal force

What is an example of an external force that represents financial factors affecting a business?

employee salaries  
geographic location  
interest rates  
domestic laws

A technology company is struggling in the industry because average salaries are too high in its urban location. What external force is impacting the company's ability to hire?

labor force  
legal limitations  
physical distribution  
marketing savvy

When gross national income drops significantly, it affects a company's environment. Which type of external force does this represent?

technological  
legal  
human resources  
economic

The domestic environment is composed of all the uncontrollable forces originating in the \_\_\_\_\_ that surround and influence the life and development of the firm.

international arena  
host nation  
home country  
foreign country

Which environment refers to the uncontrollable forces originating outside the home country that influence the firm?

domestic

foreign

international

national

The forces in the foreign environment differ from the domestic environment in that they originate

concurrently in the home and host country.

in the firm's home country.

in only the host country.

outside the firm's home country.

The kinds of forces in the foreign environment are \_\_\_\_\_ those in the domestic environment except that they occur in foreign nations.

different from

the same as

less demanding than

more stringent than

The international environment consists of which group of interactions?

The domestic environmental forces and global environmental forces.

The foreign uncontrollable forces and the domestic uncontrollable forces.

The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of two countries when an affiliate in one country does business in another country.

The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of all other countries.

Callam was recently assigned to a management role in his company's overseas operation. He determined that the employees were too social on the job compared to his home office, and instituted a no socializing on the job rule. Callam is demonstrating a

self-reference criterion.

production orientation.

self-fulfilling prophecy.

marketing orientation.

Unconscious reference to one's own \_\_\_\_\_ when judging behavioral actions of others in a new and different environment is called the self-reference criterion.

work experience

personality traits

cultural values

physical characteristics

When deciding how to employ a concept or technique used in domestic operations to an international operation, an international manager may choose to transfer it intact, not use it overseas, or

provide it to the competition.

standardize it.

produce it in mass quantities.

adapt it to local conditions.

International business as a business practice is considered relatively new.

to have existed before the Roman Empire.

to have begun in China in the 18th century.

a result of the rise of the Ottoman Empire.

International business really began

with the East India Company chartered in 1600.

when Singer Sewing Machine put up a factory in Scotland in 1868.

when Phoenician and Greek merchants sent representatives abroad to sell goods.

when Colt Firearms set up a plant in England.

What company was the first to issue stock and is often identified as the world's first multinational corporation?

Dutch East India Company

Ford Motor Company

Ottoman Empire

Singer Sewing Machine

The rise of the Ottoman Empire before 1300 influenced trade as it eliminated trade between Europe and Asia.

reduced the cost of Asian trade for Europeans.

reduced the cost of European trade for Asians.

promoted a search for sea routes from Europe to Asia.

The 17th and 18th centuries have frequently been termed the “*Age of Mercantilism*” because the merchant class was created during this time.

the Americas were discovered.

individual states were able to support themselves as more merchants were established.

national power depended on the sponsorship and control of merchant capital.

Estimates show there were \_\_\_\_\_ multinational corporations in European countries alone in 2021.

about 5,000

fewer than 12,000

more than 150,000

nearly one million

Due to the expanding importance of foreign-owned firms in local economies, host governments have made their policies toward these companies in recent years.

more strict.

more liberal.

extremely conservative.

inflexible.

For 2023, how many nations had GNI greater than the total annual sales of Walmart Stores that year?

103

12

22

Foreign affiliates must obey the local laws. If they don't, they could be subject to legal action by the United Nations.  
legal action by the home country.  
seizure by the host government.  
reciprocal behavior by competitor companies.

Component Manufacturing, based in Iowa, recently purchased a new manufacturing facility and production equipment in Germany that it will use to produce component parts. This purchase is an example of  
intrastate commerce.  
economies of scale.  
importing and exporting.  
foreign direct investment.

The total level of outward FDI worldwide increased about \_\_\_\_\_ between 2000 and 2023.  
twofold  
fivefold  
ninefold  
fourteenfold

A small enterprise in Southeast Asia has recently begun transporting its shoes into markets located in Africa. This firm is now involved in  
importing.  
foreign direct investment.

exporting.

intracompany trade.

\_\_\_\_\_ refers to the transportation of any domestic good or service to a destination inside a country or region, from a foreign origination point.

Importing

Investing

Exporting

Divesting

Compared to 2000, service exports in 2022 can best be described as

decreasing due to more international corporations.

struggling to flourish based on government restrictions.

lower than they were in 2000.

nearly 5 times larger.

What is one of the five major drivers of globalization?

political

social

cultural

economic

What is identified in the text as being one of the five major drivers of globalization?

geographic

transportation

cultural

market

A Maine yogurt company was relieved when trade barriers on dairy products were lifted in Europe and the company could sell its products there. Which type of driver was affecting the company's ability to do business in Europe?

political

social

technological

market

An example of a political driver of globalization is

privatization of industries.

increased communication created by advanced communication technologies.

globalizing product lines to decrease costs of production.

the introduction of competitor firms.

The trend toward unification and socialization of the global community is illustrated by

progressive increases in barriers to foreign investment by most governments.

preferential trading arrangements that group several nations into a single market.

increased public ownership of much of the industry in formerly communist nations.

expanded barriers to trade by most governments.

Control Corporation now uses videoconferencing to help the sales team demonstrate products to prospective international customers while eliminating expensive travel costs. Which of the five drivers of international business does this represent?

political

market

technological

competitive

When a government sees that local industry is threatened by imports, it can threaten to erect import barriers to stop or reduce these imports. This is an example of a \_\_\_\_\_ driver of international business activity.

technological

market

political

cost

Relatively inexpensive international communication enables firms to "body shop," that is, transmit computer-oriented tasks worldwide to a cheap but skilled labor force. This is an example of a \_\_\_\_\_ driver of international business activity.

political

market

technological

competitive

Stephan is the director of operations for National Produce Corporation and is now able to sell his product to the international market thanks to a new computer system that is specifically designed for businesses in the fresh food industry. Which driver helped Stephan's company internationalize?

technological

cost

market

political

When a battery manufacturer supplying an automobile producer follows its major customer to a new country, it is an example of a \_\_\_\_\_ driver of international business activity.

political technological

market

technological

cost

A management consulting company based in Chicago decided to establish an operation in France because it was concerned that its competition would try to take over its clients in Europe, which represents 65 percent of its business. Which type of driver is responsible for this decision to go international?

political

technological

cost

market

A company that decides to engage in exporting as a way to increase economies of scale is basing this decision on which driver of international business activity?

cost

political

competitive

market

What is the *best* example of the competitive driver of international business activity?

a manufacturing company that lobbies its home country government for protection against imports

a company that expands its local manufacturing facility in a foreign country in order to qualify for tax rebates

a company that searches for markets with rising gross domestic product per capita and population growth

a company that enters a foreign market to distract companies with similar products or services

A robotic vacuum manufacturer decides to enter the EU market in response to high demand there for similar products. Which driver is causing internationalization for the manufacturer?

political

technological

cost

competitive

The tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is called

internationalization.

international business.

economic globalization.

multinationalization.

Who is credited with being the first person to coin the term “globalization?”

John Keynes

Theodore Levitt

Stephen Covey

Peter Drucker

The term *globalization* was first coined in a *Harvard Business Review* article in which the author maintained that

new technologies were creating opportunities for creating mass customization of products.

governments would be threatened by the emergence of global companies and would limit their development.

the future belonged to global companies that sold the same things the same way, everywhere.

increased differentiation of products would mean that costs of production would become a steadily declining proportion of the selling price.

The argument that free trade is the best strategy for advancing the world's economic development is considered

one of the most contentious issues associated with economic globalization.

one that has very little support in research studies.

a proposition with which most economists agree.

the basis for much protectionist legislation in emerging markets.

What was Theodore Levitt referring to when he said that the future belonged to corporations that operated “as if the entire world were a single entity; [such an organization] sells the same things in the same way everywhere”?

accommodation

globalization

standardization

customization

What is the COVAX initiative?

a World Bank program supporting developing nations

a collaboration of nations to develop and disperse vaccines for COVID-19

a United Nations program mandating that countries that receive financial support must meet specific goals

a U.S.-funded plan to increase exports until there is a balance of trade

Data have shown a clear and definitive link between

protectionist legislation and enhanced economic welfare of a country.

liberalization of trade and reduced disparity in personal income.

government subsidies and the development of globally competitive industries.

liberalization of trade and economic growth.

According to supporters of the globalization of trade and investment, free trade

creates more and better jobs.

benefits all nations and workers.

does not cause the loss of high-paying jobs.

preserves the individuality of different cultures.

According to Martin Wolf, income inequality has increased \_\_\_\_\_ due to globalization.

between poor and rich nations.

in most industrialized countries.

in most developing countries.

in China.

According to opponents of the globalization of trade and investment,

free trade benefits all nations and workers.

globalization has caused a dramatic decline in both the proportion and the absolute number of destitute people in the world.

globalization has contributed to a decline in environmental and health conditions.

globalization enhances preservation of the uniqueness of different cultures.

An opponent of globalization would state that

globally integrated countries spend more on public education, especially in developing countries.

globalization has had harmful effects on labor and labor standards.

countries that have rejected globalization are among the most advanced nations of the world.

globalization has increased the proportion of people in developing countries who live on \$1.25 per day or less.

What is one argument in support of globalization?

Environmental issues are lessened through globalization.

Globalization enhances access to health care for participants.

Free trade enhances socioeconomic development.

The process of globalization has enhanced the equalization of countries in terms of political and social economy.

When Gregor accepted a job in the U.S.-based subsidiary of his Italian multinational company, he was surprised to learn that wage rates were

lower than the national average.

equal to the national average.

double the national average.

30 percent higher than the national average.

The operations of a company outside its home or domestic market are known as \_\_\_\_\_ business.

A(n) \_\_\_\_\_ company is a company with operations in multiple nations.

The term \_\_\_\_\_ refers to all the forces influencing the life and development of the firm.

The internal forces over which management does have some control, such as the factors of production and the activities of the organization, are called the \_\_\_\_\_ forces.

A company uses a foreign agent to warehouse and deliver its goods in a foreign country. This illustrates the \_\_\_\_\_ external force.

When a home country does business in a foreign country, it must obey all the laws of the host country. This represents the \_\_\_\_\_ external force.

A jewelry company opened offices in Botswana to be closer to the diamond mines that supplied their business. This illustrates the effect of the \_\_\_\_\_ external force in international business.

The \_\_\_\_\_ environment is all the uncontrollable forces originating in the home country that surround and influence the life and development of the firm.

The \_\_\_\_\_ environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm.

When an affiliate in one country does business with customers in another, it is operating in the \_\_\_\_\_ environment.

A company controlled by another company that is located in a foreign land, and this control is exercised through stock ownership and nonownership mechanisms, is a(n) \_\_\_\_\_.

If Xiaomi's China operations export smartphones to another country such as India, then the sales manager is affected by forces of both the domestic environment of China and the foreign environment of India and therefore is working in the \_\_\_\_\_ environment.

Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the \_\_\_\_\_ criterion.

A \_\_\_\_\_ enterprise is made up of entities in more than one nation, operating under a decision-making system that allows a common strategy and coherent policies.

\_\_\_\_\_ is the transportation of any domestic good or service to a destination outside a country or region.

\_\_\_\_\_ is the transportation of any good or service into a country or region, from a foreign origination point.

Although merchandise exports have grown faster than world output in nearly every year since 1960, the level of \_\_\_\_\_ exports worldwide has grown even more rapidly during this time.

According to the text, preferential trading agreements are examples of \_\_\_\_\_ drivers of globalization.

Advances in global communications networks are examples of \_\_\_\_\_ drivers contributing to the globalization of business operations.

A \_\_\_\_\_ driving force for globalization is the fact that companies, many from newly industrialized and developing countries, have entered world markets with products such as automobiles, computers, and electronics.

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 \_\_\_\_\_ globalization.

Discuss the three environments in which an multinational company operates.

Identify and give an example of each of the five major kinds of drivers that are leading international firms to the globalization of their operations.

Discuss the arguments supporting and opposing globalization of trade and investment. Do you think globalization is, overall, a positive development or a negative one for the world? Explain.

If a company directly invests in equipment, structures, and organizations in foreign country at a level that is sufficient to gain significant management control, the company has engaged in \_\_\_\_\_.

foreign direct investment

importing

exporting

foreign stock investment

International organizations whose actions affect the international environment include worldwide bodies, regional economic groupings of nations, and

organizations bound by industry agreements.

trade unions.

MNCs.

international labor organizations.

The ongoing conflict between Ukraine and Russia continues to impact business operations in Europe, particularly for firms dependent on Ukrainian agricultural exports. The conflict is an example of \_\_\_\_\_, which European managers must work to overcome.

the domestic environment

foreign affiliations

an uncontrollable force

a controllable force

MNCs, as a rule, are privately owned.

true

false

Since the United States has only about \_\_\_\_\_ of the world's population, the vast proportion of most U.S. companies' potential customers are located elsewhere.

5 percent

13 percent

25 percent

35 percent

Most nations possess sufficient domestic supplies of raw materials.

true

false

A 50-nation survey conducted in 2023 revealed that a majority of respondents viewed globalization as

causing irreparable harm to their economy.

causing income inequality across the board.

lowering labor standards in developed nations.

being good for their country.

Once one of the poorest countries in the world, Vietnam's national poverty levels have decreased as its export trade grows and the price of rice increases. In addition, after joining the WTO in 2007, Vietnam has attracted significant foreign direct investment, broadening its business diversity. The economic experience of Vietnam in recent years supports the assertion that

globalization threatens to reduce national sovereignty.

globalization has positively impacted economic development.

globalization has lowered labor standards in developed nations.

globalization has increased economic inequality.

## **Answer Key**

Test name: Module 1\_International Business\_3e

TRUE

FALSE

FALSE

TRUE

TRUE

FALSE

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foreign

multinational

environment

controllable

distributive

legal

physical

domestic

foreign

international

foreign affiliate

international

self-reference

multinational

Exporting

Importing

service

political

technological

competitive

economic

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