

Name _____ Class _____ Date _____
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1. SchulzRobb Inc., a company based in England, engages in foreign direct investment in other countries such as India, Japan, and Brazil. SchulzRobb is a multinational enterprise.

- a. True
- b. False

ANSWER: True

2. Business leaders should focus on the top two tiers of the global economic pyramid because the base of the pyramid (BoP) does not offer many economic opportunities.

- a. True
- b. False

ANSWER: False

3. Individuals who make less than \$2000 a year comprise the base of the pyramid (BoP).

- a. True
- b. False

ANSWER: True

4. George and John are both managers at Routen Plan Inc. based in Washington, but only George receives a significant international premium compensation as he is an expatriate manager of Routen Plan, Germany.

- a. True
- b. False

ANSWER: True

5. Formal institutions include culture, ethics, and values.

- a. True
- b. False

ANSWER: False

6. An Ecuadorian firm doing business in a neighboring, Spanish speaking, Latin American country faces a lower liability of foreignness than a Dutch firm doing business in the same country.

- a. True
- b. False

ANSWER: True

7. Croulene Corp, an American company, starts its operations in China. Croulene has an inherent disadvantage in China because of its nonnative status. This is an example of a liability of foreignness.

- a. True
- b. False

ANSWER: True

8. According to the Pendulum view on globalization, globalization is very recent and one-directional.

- a. True
- b. False

ANSWER: False

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9. LindaLoel Corp. extensively uses the technique of scenario planning. Scenario planning is the identification and assessment of risks and the preparation to minimize the impact of high-risk, unfortunate events.

- a. True
- b. False

ANSWER: False

10. Semiglobalization suggests that barriers to market integration at borders are high, but not high enough to insulate countries from each other completely.

- a. True
- b. False

ANSWER: True

11. After WWII, major Western nations committed to global trade and investment. Between the 1950s and 1970s most non-western countries followed suit by adopting the view of a globalized world economy.

- a. True
- b. False

ANSWER: False

12. Semiglobalization is the perfect balance of total isolation and total globalization, offering a single, right way of doing business around the globe.

- a. True
- b. False

ANSWER: False

13. If the largest MNE, Walmart, were an independent country, it would be the 27th largest economy in the world.

- a. True
- b. False

ANSWER: True

14. Which of the following describes international business?

- a. Firms collaborating with domestic entrants
- b. Firms selling their businesses completely to foreign companies
- c. Firms engaging in business abroad
- d. Firms belonging to and doing business in emerging economies

ANSWER: c

15. Which of the following statements is true of foreign direct investment?

- a. It is the act of buying an ownership stake within a country that provides capital.
- b. It is the process of investing in, controlling, and managing value-added activities in other countries.
- c. It is the process of tracking an index or measuring of a foreign market.
- d. It is the act of investing in a foreign-owned company within a country.

ANSWER: b

16. Which of the following statements is true of the emerging economies?

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- a. They grow only their absolute gross domestic product (GDP).
- b. They attract 60 percent of foreign direct investment (FDI) inflows and generate 40 percent FDI outflows.
- c. They always manage to repeat their extraordinary growth sprint.
- d. They contribute approximately 90 percent of the global gross domestic product.

ANSWER:

b

17. Which of the following is true of emerging economies?

- a. They grow only their absolute gross domestic product (GDP).
- b. Collectively, they command 48 percent of world trade.
- c. They have uniform high-speed growth.
- d. Collectively, they contribute approximately 90 percent of the global gross domestic product.

ANSWER:

b

18. _____ is the sum of value added by residents, households, and government operating in an economy.

- a. Foreign direct investment
- b. Purchasing power parity
- c. Gross domestic product
- d. Intermediate consumption

ANSWER:

c

19. Which of the following statements is true of purchasing power parity (PPP)?

- a. It is the sum of value added by residents and households operating in an economy.
- b. It is the management of value-added activities in other countries.
- c. It is an investment made by firms within an industry in other countries.
- d. It is an adjustment to reflect the differences in cost of living among different countries.

ANSWER:

d

20. BRIC is an acronym for the emerging economies of _____.

- a. Britain, Russia, India, and China
- b. Brazil, Romania, India, and Chile
- c. Belgium, Romania, Indonesia, and Chile
- d. Brazil, Russia, India, and China

ANSWER:

d

21. Which of the following is true of the Great Transformation?

- a. It does not take purchasing power parity (PPP) into account.
- b. It is the linear story of the high speed economic growth of the developed world.
- c. It refers to emerging economies struggling to compete with developed nations.
- d. It refers to the shift in economic weight and engines of growth toward emerging economies.

ANSWER:

d

22. Which of the following is an economic example of the emergence of BRIC(S) during the Great Transformation?

- a. China doubled its per capita income in about ten years.

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- b. From 2007-2017 Brazil accomplished an annual economic growth rate of 6%.
- c. Managers in emerging economies command higher international premiums than managers in developed economies.
- d. Japan has experienced uniform, high speed growth for the past 10 years.

ANSWER:

a

23. Most emerging economies have experienced:

- a. some significant slow down recently.
- b. uniform high-speed growth.
- c. a doubling of their per capita incomes within five years.
- d. an increase in the number of employees.

ANSWER:

a

24. More than 25 percent of global gross domestic product (on a PPP basis) in recent years comes from _____.

- a. African economies
- b. Latin America
- c. Central and Eastern Europe
- d. emerging economies, such as BRICS (Brazil, Russia, India, China, and South Africa)

ANSWER:

d

25. The _____ consists of North America, Western Europe, and Japan.

- a. base of the pyramid
- b. Triad
- c. top tier of the pyramid
- d. triplex

ANSWER:

b

26. Which of the following statements is true of the second tier of the global economy pyramid?

- a. It consists of a billion people making \$2,000 to \$20,000 a year.
- b. It mostly consists of people who live in the developed economies.
- c. It mostly consists of people who live in North America, Western Europe, and Japan.
- d. It consists of the vast majority of the people who make less than \$2,000 a year.

ANSWER:

a

27. Which of the following statements is true of the base of the pyramid?

- a. It consists of a billion people making \$2,000 to \$20,000 a year.
- b. It comprises people who live in the developed economies.
- c. It refers to the people who live in North America and Western Europe.
- d. It is ignored by most of the multinational enterprises.

ANSWER:

d

28. Which of the following statements is true of expatriate managers?

- a. They are managers who work abroad.

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- b. They are managers who work in domestic firms.
- c. They are managers who work for the emerging economies they are a part of.
- d. They are managers who work for local businesses in developed countries.

ANSWER:

a

29. Which of the following statements is true of international premium?

- a. It is a pay raise for domestic employees.
- b. It is the money paid to domestic firms by foreign firms.
- c. It is the amount of money paid by international firms to government.
- d. It is a significant pay raise a manager gets when working overseas.

ANSWER:

d

30. Which of the following statements is true of the study of global business?

- a. It is very interdisciplinary.
- b. It has no unified framework.
- c. It has five core perspectives.
- d. It draws on only two business disciplines, finance and strategy.

ANSWER:

a

31. Which of the following statements is true of institutions?

- a. They generate 40 percent foreign direct investment (FDI) outflows.
- b. They mean the formal and informal rules of the game.
- c. They are also called emerging economies.
- d. They are firms engaging in foreign direct investment.

ANSWER:

b

32. A(n) _____ is a leading perspective in global business that suggests that firm performance is, at least in part, determined by its internal capital and capabilities.

- a. product-based view
- b. institution-based view
- c. resource-based view
- d. profit-based view

ANSWER:

c

33. _____ is the inherent disadvantage that firms from other countries experience in host countries because of their nonnative status.

- a. Foreign premium
- b. Liability of foreignness
- c. Liability of localization
- d. International premium

ANSWER:

b

34. MaltHanks Inc., a leading American firm, starts its operations in China. It incurs a lot of additional costs in comparison to the local firms. These costs originate in limited local knowledge and local stakeholders' discriminatory

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attitudes. Which of the following best describes the problem faced by MaltHanks?

- a. Foreign premium
- b. Liability of foreignness
- c. Liability of localization
- d. International premium

ANSWER:

b

35. Which of the following statements is true of foreign firms?

- a. They easily adjust to laws, regulations, and rules of host nations.
- b. They focus only on a firm's internal environment.
- c. They do not dominate nonnative markets.
- d. They are a close integration of countries and peoples of the world.

ANSWER:

c

36. According to the pendulum view on globalization, _____ existed for more than two millennia, with earliest traces discovered in Phoenician, Assyrian, and Roman times.

- a. multinational enterprises
- b. liability of foreignness
- c. international premium
- d. scenario planning

ANSWER:

a

37. According to the pendulum view on globalization, which of the following statements is true of globalization?

- a. It is not one-directional.
- b. It is a fairly new concept.
- c. It refers to multinational enterprises.
- d. It refers to the identification and assessment of risks.

ANSWER:

a

38. The Four Tigers refers to _____.

- a. The Triad of developed economies (North America, Western Europe, and Japan) plus China
- b. The noncommunist countries (Argentina, Brazil, India, and Mexico) that focused on fostering and protecting domestic industries in the aftermath of WWII
- c. The economies of Hong-Kong, Singapore, South Korea, and Taiwan that achieved developed (high income) status and inspired more countries to join the world economy.
- d. The emerging economies of Brazil, Russia, India and China

ANSWER:

c

39. Ashestate Inc. recently set up a risk management department. What is a task the risk management department is likely taking on?

- a. addressing interdepartmental conflict
- b. setting expatriate manager pay scales
- c. planning protests of globalization
- d. engaging in extensive scenario planning

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ANSWER:

d

40. Which of the following is true of The Great Recession of 2008-2009?

- a. The crisis showed, for better or worse, how isolated the global economy had become.
- b. Globalization was widely regarded as a minor factor in causing the crisis.
- c. Global output, trade, and investment plummeted, while unemployment skyrocketed.
- d. The crisis led to massive government bailouts of failed firms in the United States but not elsewhere in the world.

ANSWER:

c

41. Which of the following statements is true of the rapid globalization in the 1990s and the 2000s?

- a. It suggested that barriers to market integration at borders are high.
- b. It led to the historically accurate view that globalization is new.
- c. It created fear among many people in developed economies that they would lose jobs.
- d. It decreased the foreign direct investment (FDI) inflows and outflows.

ANSWER:

c

42. Which of the following is a difference between risk management and scenario planning?

- a. Risk management plans for either high risk or low risk, whereas scenario planning prepares to minimize the impact of only high-risk events.
- b. Risk management is the identification and assessment of risks, whereas scenario planning is a technique to prepare and plan for multiple situations.
- c. Risk management is a new phenomenon beginning in the late 20th century, whereas scenario planning started 2,000 or 8,000 years ago.
- d. Risk management is driven by recent technological innovations, whereas scenario planning is driven by a Western ideology.

ANSWER:

b

43. Which of the following statements is true of semiglobalization?

- a. It is more complex than extremes of total isolation and total globalization.
- b. It is a measure used for assessing and classifying risks.
- c. It is about limiting oneself to one's home country.
- d. It is recent and one-directional.

ANSWER:

a

44. Which of the following expression does the author use to describe globalization in the recent times?

- a. Global localization
- b. Total globalization
- c. Semiglobalization
- d. Global standardization

ANSWER:

c

45. Which of the following statements is true of semiglobalization?

- a. It is to be engaged.

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- b. It is to be opposed as a menace.
- c. It is about limiting oneself to one's home country.
- d. It is recent and one-directional.

ANSWER:

a

46. According to one of the three views of globalization, globalization is _____.

- a. recent
- b. the disintegration of countries and peoples of the world
- c. one-directional
- d. a process similar to the swing of a pendulum

ANSWER:

d

47. Which of the following was a consequence of rapid globalization in the 1990s and 2000s?

- a. It led to the historically accurate view that globalization is ancient.
- b. It caused some factions in emerging economies to complain against the onslaught of multinational enterprises (MNEs).
- c. It was widely accepted by developed countries as a way of increasing the number of jobs.
- d. It helped nurture local companies in emerging economies and also preserve their cultures and values.

ANSWER:

b

48. The global economy may be viewed as a pyramid. The growing number of opportunities at the base of the pyramid highlights the role this bottom tier will play in the years to come. How would an individual take advantage of this often-ignored level if he or she was occupying a top management position at a prominent MNE?

ANSWER: The global economy can be viewed as a pyramid. The top of the pyramid consists of one billion people with per capita income of \$20,000 or higher. The second tier consists of another billion people making \$2,000 to \$20,000 a year. The vast majority of the world's populations, representing approximately 5 billion people, live at the base of this pyramid, making less than \$2,000 a year. Marketers have focused on the top two levels and end up ignoring the bottom tier. An increasing number of countries located in this bottom tier are demonstrating economic and marketing opportunities as they move from low- to middle-income levels. It is much easier to market to consumers with higher incomes. In the emerging world, marketing is different. There is no guarantee that media choices will be available or that your product will be a success. The challenges in the bottom of the pyramid require innovation, such as identifying special price points, as well as long-term commitment. Many consumers at the base of the pyramid may be illiterate, but they are brand conscious. Companies need to think outside the box and identify win-win strategies for this emerging consumer market. Although individuals living in developing economies have less purchasing power than their counterparts living in the developed countries, they still have needs and wants. Global firms capable of fulfilling these needs will make a profit and emerge as global marketers.

49. How does a country's gross domestic product (GDP) change after adjusting for purchasing power parity (PPP)?

ANSWER: Purchasing power parity (PPP) calculation is a conversion that determines the equivalent amount of goods and services different currencies can purchase. For example, one dollar spent in Mexico can buy a lot more than one dollar spent in the United States.

Gross domestic product (GDP) is the sum of value added by resident firms, households, and government operating in an economy. To compare two countries' GDP, a conversion based on PPP is necessary.

The PPP between two countries is the rate at which the currency of one country needs to be converted into that of a second country to ensure that a given amount of the first country's currency will purchase the same volume of goods and services in the second country. Without adjusting for PPP, emerging economies

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contribute about 26 percent of the global GDP. But after adjusting for PPP, emerging economies contribute about 50 percent of the global GDP.

50. Explain the correlation between the success and failure of global firms and the institution- and resource-based views.

ANSWER: Global firms can gain success in today's competitive global market by focusing on the institution- and resource-based perspectives. The first factor from an institutional perspective focuses on how companies can earn greater success by understanding the external business environments in international business. MNEs quick to acquaint themselves with an understanding of the external environment, such as host country market rules, cultural norms, and policies, will increase their international success. The resource-based view focuses on MNEs' internal resources, which are firm-specific resources and capabilities. Competitors in the same environment do not share these internal capabilities; therefore, a company possessing unique firm-specific capabilities develops a competitive advantage in marketing their products or in the value creation process. Global companies that best utilize their internal strengths will increase their opportunities for business success.

51. Explain how the pendulum view attempts to describe globalization as a cyclical phenomenon with many difficulties.

ANSWER: The pendulum view presents the events in the present timeframe as a long-term model to help an individual gain greater understanding of and perspective on globalization's challenges. The current era of globalization originated after World War II with the major Western nations committing to globalization. From the 1950s through the 1970s, political unrest in the communist countries formed a different view of globalization. Noncommunist countries, such as Argentina and Brazil, focused on protecting their domestic industries. In contrast, the Four Tigers-specifically, the developing economies of Hong Kong, Singapore, South Korea, and Taiwan-participated in the global economy. Both emerging and developed markets benefit greatly from globalization. However, seen in a historical context, globalization never continues in one upward or positive direction, hence the view of it as a pendulum. In the 1990s, globalization was on the fast track. However, globalization proponents witnessed significant backlashes and setbacks. This rapid growth in globalization led to an inaccurate view that globalization was new, which created many negative perceptions. This new view of globalization created fear, and competition posed a direct threat to countries' culture and values. More recently, globalization has once again come to be considered a positive, offering contributions to worldwide economic growth. Globalization changes over time, with both a rosy and dark side. In some areas, it has resulted in job creation with tremendous outcomes, while in other areas, it has resulted in job losses and hardship.