

CHAPTER 1 – STRATEGY AROUND THE GLOBE
TEST BANK

TRUE/FALSE QUESTIONS

- The opening case is an example of how the publishing industry now requires a simultaneous penetration of all markets rather than trying to win one market after another.
a. True **b. False**
AACSB: BUSPROG: Analytic; DISC: Strategy;
LO: 1-1; Bloom's: Comprehension; Difficulty: Easy
- In the opening case, the formal rules in China stated that foreign companies could not publish books on their own.
a. True b. False
AACSB: BUSPROG: Analytic; DISC: Environmental Influence
LO: 1-1; Bloom's: Knowledge; Difficulty: Easy
- In China, political correctness may need to be considered when making reference to Taiwan.
a. True b. False
AACSB: BUSPROG: Analytic; DISC: Environmental Influence
LO: 1-1; Bloom's: Knowledge; Difficulty: Easy
- The closing case illustrates how to strategically focus on the base of the global economic pyramid and to do so successfully.
a. True b. False
AACSB: BUSPROG: Reflective Thinking; DISC: Strategy
LO: 1-3; Bloom's: Comprehension; Difficulty: Easy
- A SWOT analysis resonates very well with Sun Tzu's teachings.
a. True b. False
AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-3; Bloom's: Analysis; Difficulty: Moderate
- If a strategy (theory) is truly successful, it will work not just for one firm but for all others as well.
a. True **b. False**
AACSB: BUSPROG: Reflective Thinking; DISC: Strategy
LO: 1-4; Bloom's: Application; Difficulty: Moderate

7. Determining the scope of the firm involves not only growth of the firm but also contraction.
a. True b. False
AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy
8. The text stresses that realism indicates that all companies should “go global” and endeavor to do so as quickly as possible in view of the vast opportunities that exist.
a. True **b. False**
AACSB: BUSPROG: Reflective Thinking; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy
9. The industry-based view posits that the degree of competitiveness in an industry largely determines firm performance.
a. True b. False
AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy
10. The resource-based view suggests that firm-specific capabilities do not drive performance differences.
a. True **b. False**
AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy
11. The institution-based view argues that institutional forces provide an answer to similarities in firm performance but not differences.
a. True **b. False**
AACSB: BUSPROG: Reflective Thinking; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy
12. As illustrated by Cengage Learning's penetration of the China market with *Global Strategy* (opening case), the idea that firms must “think global and act local” simultaneously is simply not possible.
a. True **b. False**
AACSB: BUSPROG: Reflective Thinking; DISC: Creation of Value
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy
13. The earliest MNEs existed in some form thousands of years ago in the Assyrian, Phoenician, and Roman empires.
a. True b. False

20. A lot of opponents of globalization are nongovernmental organizations (NGOs), such as environmentalists and consumer groups.

a. True

b. False

AACSB: BUSPROG: Analytic; DISC: Group Dynamics

LO: 1-5; Bloom's: Knowledge; Difficulty: Easy

MULTIPLE CHOICE QUESTIONS

1. Multinational enterprises (MNEs) are firms that:

a. Engage in foreign direct investment (FDI).

b. Directly control value-adding activities in other countries.

c. Manage value-adding activities in other countries.

d. All of the above.

e. None of the above.

AACSB: BUSPROG: Analytic; DISC: Strategy

LO: 1-1; Bloom's: Knowledge; Difficulty: Easy

2. Which of the following best describes foreign direct investment (FDI)?

a. A firm's direct investment in production and/or service activities abroad.

b. The purchases of foreign securities by people within the U.S.

c. The purchases of U. S. securities by people from other countries.

d. Avoidance of brokers or other financial intermediaries when making foreign investments.

e. B and C above.

AACSB: BUSPROG: Analytic; DISC: Motivation Concepts

LO: 1-1; Bloom's: Knowledge; Difficulty: Easy

3. Which of the following best defines "Triad" as the term is used in the text?

a. The U.S., Japan, and Germany.

b. The U.S., Canada, and Mexico.

c. North America, Europe, and Japan.

d. North America, Europe, and Asia.

e. The U.S. dollar, the Euro, and the Yen.

AACSB: BUSPROG: Analytic; DISC: Strategy

LO: 1-1; Bloom's Knowledge; Difficulty: Easy

4. According to the text, the current brand of "global strategy" seems relevant only for MNEs from:

a. BRIC.

b. The Triad.

c. OPEC nations.

d. NAFTA.

e. The E. U.

AACSB: BUSPROG: Analytic; DISC: Strategy

LO: 1-1; Bloom's: Knowledge; Difficulty: Easy

5. Emerging economies (or emerging markets):
- a. Now command a full one-third of the worldwide FDI flow.
 - b. Command half of the global gross domestic product (GDP) measured at purchasing power parity.
 - c. **A and B above**
 - d. Despite their growth, they still command less than 10% of global GDP.
 - e. Consist of countries which are in a state of decline but which are believed to have potential for growth.
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-1; Bloom's: Knowledge; Difficulty: Easy

6. BRIC refers to:
- a. Bahrain, Russia, Iran, and China.
 - b. Bolivia, Romania, India, and Columbia.
 - c. Bulgaria, Romania, Iraq, and China.
 - d. Bermuda, Rwanda, Iraq, and the Czech Republic.
 - e. **Brazil, Russia, India, and China.**
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-1; Bloom's: Knowledge; Difficulty: Easy

7. Many BRIC local firms are:
- a. Effectively competing at home.
 - b. Launching offensives abroad.
 - c. Creating serious ramifications for Triad-based MNEs.
 - d. **All of the above.**
 - e. BRIC local firms have yet to become significant globally.
- AACSB: BUSPROG: Analytic; DISC: Environmental Influence
LO: 1-1; Bloom's: Knowledge; Difficulty: Easy

8. Strategy:
- a. Dates back to 500bc and the work of the strategist Sun Tzu of China.
 - b. Applies concepts developed by the strategist von Clausewitz.
 - c. Includes application of principles of military strategy to business competition.
 - d. **All of the above.**
 - e. In this century, civilian companies no longer apply military theories and principles in dealing with competition.
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-3; Bloom's: Knowledge; Difficulty: Easy

9. A hallmark of theory building and development is:
- a. The outcome of a test.
 - b. **Replication.**
 - c. Intuition.
 - d. Consensus.
 - e. Lack of controversy.
- AACSB: BUSPROG: Reflective Thinking; DISC: Creation of Value
LO: 1-3; Bloom's: Analysis; Difficulty: Moderate

10. Overall, strategy is:
- a. A rulebook.
 - b. A blueprint.
 - c. A set of programmed instructions.
 - d. All of the above.
 - e. **None of the above.**
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-3; Bloom's: Knowledge; Difficulty: Easy

11. Much of our knowledge about "the firm" is from research on firms in:
- a. **Anglo-American capitalism.**
 - b. Japan after World War II.
 - c. German mathematical models.
 - d. Emerging markets.
 - e. The early industrial era.
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy

12. The word _____ has now become the most famous Chinese business word to appear in English-language media.
- a. Keiretsu
 - b. **Guanxi**
 - c. Chaebol
 - d. Blat
 - e. None of the above.
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy

13. The _____ view primarily focuses on the _____ in a SWOT analysis.
- a. **Industry-based, OT**
 - b. Resource-based, OT
 - c. Industry-based, SW
 - d. Resource-based, SW
 - e. Industry and resource, SWOT

14. As shown in the closing case, the informal rules of the game:
- a. Must be avoided because global business is not a mere game.
 - b. Are not applicable in cultures in which tend to be very formal.
 - c. Often require that the firm seek to change the informal rules instead of going along with those rules.
 - d. **Need to be understood by firms.**
 - e. Are being replaced by formal rules.
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-4; Bloom's: Knowledge; Difficulty: Easy
15. Diversification:
- a. Was acclaimed in the West during the 1960s and 1970s but was discredited twenty years later.
 - b. Is believed by Western media to destroy value in emerging economies.
 - c. Has resulted in higher profitability for some in emerging economies than independent firms.
 - d. In emerging economies may be a function of the level of institutional (under) development.
 - e. **All of the above.**
- AACSB: BUSPROG: Analytic; DISC: Creation of Value
LO: 1-4; Bloom's: Analysis; Difficulty: Challenging
16. "Global strategy" refers to:
- a. A particular theory on how to compete.
 - b. Offering standardized products and services on a worldwide basis.
 - c. Any strategy outside one's home country.
 - d. Strategy of firms around the globe—essentially various firms' theories about how to compete successfully.
 - e. **All of the above.**
- AACSB: BUSPROG: Analytic; DISC: Strategy
LO: 1-3; Bloom's: Knowledge; Difficulty: Moderate
17. Globalization is viewed as:
- a. A new force sweeping through the world in recent times.
 - b. A long-run historical evolution since the dawn of human history.
 - c. A pendulum that swings from one extreme to another from time to time.
 - d. **All of the above.**
 - e. None of the above.

18. Which of the following were the first to express concern about international competition from low-cost countries?

- a. American political leaders in the twenty first century.
- b. Union leaders in the last half of the twentieth century.
- c. American business leaders in the late 1800s.
- d. The King of England in the late 1700s.
- e. **A first century Roman emperor.**

AACSB: BUSPROG: Reflective Thinking; DISC: Environmental Influence

LO: 1-5; Bloom's: Knowledge; Difficulty: Easy

19. The current era of globalization originated in the aftermath of:

- a. World War I.
- b. **World War II.**
- c. The Korean Conflict.
- d. The Vietnam Conflict.
- e. The Gulf War.

AACSB: BUSPROG: Analytic; DISC: Strategy

LO: 1-5; Bloom's: Knowledge; Difficulty: Easy

20. At the dawn of the 21st century, _____ had significant ramifications for companies and strategists around the world.

- a. Antiglobalization protests
- b. Terrorist attacks
- c. Corporate governance crisis
- d. **All of the above**
- e. None of the above

AACSB: BUSPROG: Analytic; DISC: Strategy

LO: 1-5; Bloom's: Knowledge; Difficulty: Moderate

SHORT ANSWER ESSAY QUESTIONS

1. How can principles of military strategy be useful in developing a global business strategy? Explain by using SWOT analysis.

Students may point out that military strategy involves developing a clear idea of goals and objectives, an understanding of the barriers to achieving those objectives (such the opponents), the development of capabilities to overcome those barriers and the selection of the best alternative means of achieving the objectives under specific circumstances. Business firms can benefit by doing the same thing. They need to start by examining their current situation which includes an understanding of their internal strengths (S) and weaknesses (W) and how that can affect the strategy they use to deal with their external opportunities (O) and threats (T).

AACSB: BUSPROG: Analytic; DISC: Strategy

LO: 1-3; Bloom's: Application; Difficulty: Moderate

2. The text points out that not all firms should go global. In view of the vast opportunities, why should some firms not pursue international business?

Many will point out that success in one market or part of the world does not assure that the firm will be able to be successful with its product and strategy in some other part. Much depends on whether it will be able to modify its product or its strategy so as to be successful in the country it seeks to enter. Timing may also be off either in terms of market readiness or development of the firm's capabilities.

AACSB: BUSPROG: Reflective Thinking; DISC: Strategy

LO: 1-4; Bloom's: Comprehension; Difficulty: Easy

3. Having valuable, unique, and hard-to-imitate capabilities may be advantageous in doing business globally. However, what is the problem with trying to maintain that advantage?

There are many possible ways to answer this question. Some may argue that it is much like being on a treadmill in which one must keep moving forward just to stay in place. What is valuable today may lose its value as changes occur in technology and markets. Other firms in other parts of the world may develop alternatives that imitate or even exceed one's capabilities or render them no longer unique. As firms expand production around the world, they may in fact be helping to train others to compete with them.

AACSB: BUSPROG: Analytic; DISC: Strategy

LO: 1-4; Bloom's: Comprehension; Difficulty: Easy

4. Why is there a backlash against globalization, and how do aspects of that backlash actually enhance globalization?

As the text points out, many incorrectly assume that globalization is a new force that is enabling emerging economics to take away both low-end manufacturing jobs high-end jobs as well while enabling MNE's to destroy local companies, local cultures and values as well and the environment. NGO's (Non Government Organizations) have focused on various abuses (real or alleged) and brought about a public debate regarding the relative positive and negative outcomes involved in globalization. As a result, social responsibility, ethics, and governance, long regarded as "backburners," have now increasingly become central topics for strategy discussions. To the extent that MNE's can effectively counter misunderstandings and positively respond to valid concerns, they may be able prevent or overcome barriers to global trade and investment.

AACSB: BUSPROG: Reflective Thinking; DISC: Environmental Influence
LO: 1-5; Bloom's: Analysis; Difficulty: Challenging

5. As you examine the current political, social, and economic environment of your country and the world as of the moment you are reading the text, what is your estimate of the extent to which globalization will increase or decrease in the short run? In the long run?

The response is likely to be specific to the national and cultural background of the student and the major news events at the time the student is taking the course. The text has shown that there is a pendulum that tends to swing back and forth in regards to the acceptance or resistance of globalization but the long run trend appears to be moving toward greater globalization. However, the future is not always like the past and even long-term trends can be reversed. As a result, some students may have reasons why they feel that there will be increasing barriers to globalization in the future. Whatever the response, this question is one in which the answer is not as important as the thought process that goes into it.

AACSB: BUSPROG: Reflective Thinking; DISC: Environmental Influence
LO: 1-5; Bloom's: Evaluation; Difficulty: Challenging