

International Management, 7e (Deresky)

Chapter 2: Managing Interdependence Social Responsibility and Ethics

- 1) The most significant issue raised by the Primark situation is that _____.
A) organizational culture determines the success or failure of most international firms
B) corporate social responsibility must factor into a firm's culture and strategy
C) CEOs cannot avoid their social responsibilities without facing penalties
D) panic during an economic crisis leads to disruptions in service

Answer: B

Diff: 3 Page Ref: 36

Chapter: 2

Skill: Concept

- 2) Which of the following is LEAST likely to assert pressure on managers regarding a firm's social responsibility and ethical behavior?

- A) public interest groups
B) government agencies
C) industry competitors
D) media reporters

Answer: C

Diff: 2 Page Ref: 36

Chapter: 2

Skill: Concept

- 3) What is the difference between ethics and social responsibility?

- A) Ethics deals with decisions made at an individual level.
B) Ethics is mandated by international regulations and laws.
C) Social responsibility relates to low-level, narrow issues.
D) Social responsibility focuses only on an individual's actions.

Answer: A

Diff: 3 Page Ref: 36

Chapter: 2

Skill: Concept

- 4) A firm's concern towards the community, workers, and environment in which it operates is known as _____.

- A) international sustainable development
B) corporate social responsibility
C) international business ethics
D) cultural sensitivity

Answer: B

Diff: 1 Page Ref: 37

Chapter: 2

Skill: Concept

5) The criticisms of MNCs have been lessened in recent years for all of the following reasons EXCEPT _____.

- A) decreasing economic differences among countries
- B) decreasing public concern about environmental issues
- C) increasing emphasis on social responsibility by multinationals
- D) increasing numbers of multinationals from less developed countries

Answer: B

Diff: 3 Page Ref: 37

Chapter: 2

Skill: Concept

6) Issues of social responsibility continue to center on all of the following EXCEPT _____.

- A) military industrial complexes
- B) unequal opportunities
- C) consumer concerns
- D) employee safety issues

Answer: A

Diff: 2 Page Ref: 37

Chapter: 2

Skill: Concept

7) Some argue that MNCs have a positive impact on less developed countries in all of the following ways EXCEPT by _____.

- A) providing managerial training
- B) providing investment capital
- C) improving infrastructure
- D) sharing profits

Answer: D

Diff: 2 Page Ref: 37

Chapter: 2

Skill: Concept

8) Which of the following terms refers to the expectation that MNCs should be concerned about the social and economic effects of their decisions regarding activities in other countries?

- A) macropolitical interdependence
- B) international social responsibility
- C) corporate technoglobalism
- D) moral idealism

Answer: B

Diff: 1 Page Ref: 37

Chapter: 2

Skill: Concept

9) Which of the following significantly increases the complexity of corporate social responsibility for MNCs?

- A) distance between the home office and the subsidiaries
- B) difficult nature of training managers in different cultures
- C) additional stakeholders associated with the firm's activities
- D) international laws, regulations, and moral principles

Answer: C

Diff: 3 Page Ref: 37

Chapter: 2

Skill: Concept

10) The primary dilemma that Del Monte managers in Kenya face is whether to _____.

- A) pay the prevailing low wages to farmers or to pay higher wages
- B) provide company transportation to workers or to let them use their own means
- C) use rich coastal lands for growing pineapples or to leave the land for subsistence farming
- D) train locals to manage the pineapple farming or to continue using managers from the home country

Answer: C

Diff: 3 Page Ref: 37

Chapter: 2

Skill: Concept

11) The concept of international social responsibility is the expectation that MNCs concern themselves about _____ effects of their decisions regarding activities in other countries.

- A) philosophical
- B) competitive
- C) cultural and religious
- D) social and economic

Answer: D

Diff: 1 Page Ref: 37

Chapter: 2

Skill: Concept

12) In regards to corporate social responsibility, firms are described as _____ because their actions swing between making a profit and solving societal problems.

- A) socially reactive
- B) environmentally sensitive
- C) professionally committed
- D) ecologically proactive

Answer: A

Diff: 1 Page Ref: 37

Chapter: 2

Skill: Concept

13) According to research, what is the most significant monetary benefit for firms that implement corporate social responsibility?

- A) employee retention
- B) high recruitment rates
- C) increased brand value
- D) improved organizational culture

Answer: C

Diff: 2 Page Ref: 38

Chapter: 2

Skill: Concept

14) Which of the following terms refers to an integration of the business environments in which firms currently operate, resulting from a dissolution of traditional boundaries and from increasing links among MNCs?

- A) corporate social responsibility
- B) global corporate culture
- C) corporate code of conduct
- D) moral universalism

Answer: B

Diff: 1 Page Ref: 38

Chapter: 2

Skill: Concept

15) Consensus on what should constitute moral and ethical behavior is emerging because of _____.

- A) a global corporate culture
- B) American ethical values
- C) an increase in regional variation
- D) pressure from religious leaders

Answer: A

Diff: 2 Page Ref: 38

Chapter: 2

Skill: Concept

16) A global corporate culture has most likely occurred as a result of _____.

- A) corporate-level organizational boundaries
- B) internationally linked securities markets
- C) micropolitical risk events
- D) multimedia pressures

Answer: B

Diff: 2 Page Ref: 38

Chapter: 1

Skill: Concept

17) U.S. firms are most likely to implement corporate social responsibility by _____.

- A) fulfilling business obligations
- B) suggesting social changes
- C) engaging in nationalization
- D) using forms of expropriation

Answer: A

Diff: 2 Page Ref: 38-39

Chapter: 2

Skill: Concept

AACSB: Ethical Reasoning

18) Firms with operations overseas are most likely to deal effectively with cross-cultural CSR dilemmas by _____.

- A) translating the firm's ethics code into different languages
- B) adopting local customs regarding worker treatment
- C) establishing labor standards for suppliers
- D) using only home-country managers

Answer: C

Diff: 3 Page Ref: 39

Chapter: 2

Skill: Application

19) Moral universalism is the need for a moral standard that is accepted by all _____.

- A) corporations
- B) governments
- C) cultures
- D) employees

Answer: C

Diff: 1 Page Ref: 39

Chapter: 2

Skill: Concept

20) A firm that follows an ethnocentric approach applies the morality used by which of the following?

- A) host nation
- B) industry
- C) general society
- D) home country

Answer: D

Diff: 1 Page Ref: 39

Chapter: 2

Skill: Concept

21) If McDonald's applies the morality it practices in the United States to all foreign countries in which it operates, then McDonald's is most likely adhering to _____.

- A) moral universalism
- B) ethical relativism
- C) ethnocentrism
- D) geocentrism

Answer: C

Diff: 2 Page Ref: 39

Chapter: 2

Skill: Application

AACSB: Ethical Reasoning

22) A company subscribing to ethical relativism would implement the morality of the _____.

- A) host country
- B) shareholders
- C) legal system
- D) home country

Answer: A

Diff: 2 Page Ref: 39

Chapter: 2

Skill: Concept

AACSB: Ethical Reasoning

23) What is the ethical and moral issue that raises the most concerns for global firms that conduct business with China?

- A) China's environmental policies
- B) China's economic protectionism
- C) China's violation of human rights
- D) China's fluctuating leadership

Answer: C

Diff: 2 Page Ref: 39

Chapter: 2

Skill: Concept

24) Which of the following is NOT required under the Anti-Sweatshop Code of Conduct?

- A) Forced labor, abuse, and discrimination are banned.
- B) Firms must provide healthy work environments.
- C) Firms must agree to regular inspections by OSHA.
- D) Firms must pay at least the prevailing local minimum wage.

Answer: C

Diff: 3 Page Ref: 39

Chapter: 2

Skill: Concept

AACSB: Ethical Reasoning

25) Which of the following receives the most publicity regarding human rights violations?

- A) Brazil
- B) Africa
- C) Mexico
- D) Asia

Answer: D

Diff: 1 Page Ref: 40

Chapter: 2

Skill: Concept

26) Which of the following is NOT addressed by the Electronic Industry Code of Conduct?

- A) excessive overtime
- B) quality control
- C) working conditions
- D) child and forced labor

Answer: B

Diff: 2 Page Ref: 40

Chapter: 2

Skill: Concept

27) Which of the following best describes SA8000?

- A) a group of 8000 manufacturers in South Asia who support an increase in the minimum wage rate
- B) a social accountability index fashioned around the manufacturing quality standard ISO9000
- C) a code classification system for South Asian garment exporters
- D) a social accountability index for the electronics industry

Answer: B

Diff: 2 Page Ref: 40

Chapter: 2

Skill: Concept

28) All of the following are SA8000 proposed global labor standards that would be monitored by outside organizations EXCEPT _____.

- A) providing a safe working environment
- B) requiring employers to provide health benefits
- C) respecting workers' rights to form labor unions
- D) paying wages sufficient to meet workers' basic needs

Answer: B

Diff: 2 Page Ref: 40

Chapter: 2

Skill: Concept

29) The international codes of conduct were developed by all of the following groups EXCEPT the _____.

- A) Organization for Economic Cooperation and Development
- B) International Chamber of Commerce
- C) Council of Economic Priorities
- D) International Labor Organization

Answer: C

Diff: 2 Page Ref: 40

Chapter: 2

Skill: Concept

30) Primo is a multinational enterprise based in California that manufactures and sells affordably priced athletic shoes in retail stores around the world. A Primo manufacturing subsidiary in China employs over 20,000 locals. Primo executives recently learned of human rights violations at the firm's China subsidiary. Workers had been forced to work more than 60 hours each week, and minimum wage laws were regularly ignored. As a result, Primo executives need to decide whether to continue operations in China.

Which of the following, if true, would best support a decision by Primo to remain in China?

- A) Primo becomes SA8000 certified.
- B) Sales of Primo's competitors drop sharply.
- C) U.S. manufacturing jobs decrease in number.
- D) More service sector jobs become available in China.

Answer: A

Diff: 3 Page Ref: 40

Chapter: 2

Skill: Critical Thinking

31) All of the following are significant problems faced by MNCs operating in China EXCEPT _____.

- A) protecting intellectual property
- B) training workers for service jobs
- C) correcting human rights violations
- D) working within an uncertain legal climate

Answer: B

Diff: 3 Page Ref: 41

Chapter: 2

Skill: Concept

32) Which sector of China's economy is growing at the fastest rate?

- A) financial services
- B) telecommunication
- C) pharmaceutical
- D) manufacturing

Answer: D

Diff: 1 Page Ref: 41

Chapter: 2

Skill: Concept

33) According to the international codes of conduct, MNE behavior towards the host government relates to which three issues?

- A) economic and developmental policies; laws and regulations; political involvement
- B) political involvement; technology transfer; environmental protection
- C) political involvement; communication practices; laws and regulations
- D) laws and regulations; technology transfer; communication practices

Answer: A

Diff: 2 Page Ref: 43

Chapter: 2

Skill: Concept

34) According to the international codes of conduct, MNEs should _____.

- A) resolve disputes according to the domestic law of the home country
- B) dominate the capital markets in which their operations are based
- C) use inexpensive, imported sources for components and raw materials
- D) conduct research and development activities in developing countries

Answer: D

Diff: 3 Page Ref: 43

Chapter: 2

Skill: Concept

35) Which of the following terms refers to the business conduct or morals of MNCs in their relationships to all individuals and entities with whom they come in contact when conducting business overseas?

- A) global corporate culture
- B) ethical relativism
- C) moral universalism
- D) international business ethics

Answer: D

Diff: 1 Page Ref: 44

Chapter: 2

Skill: Concept

36) According to Robertson and Crittenden, which of the following is a societal factor in a host environment that affects the strategic decisions made by international managers?

- A) corporate culture
- B) historic tradition
- C) natural resources
- D) political stability

Answer: B

Diff: 2 Page Ref: 44-45

Chapter: 2

Skill: Concept

37) According to many U.S. executives, there is little difference in ethical practices among which of the following?

- A) United States, Canada, Mexico
- B) Northern Europe, Australia, Canada
- C) United States, Canada, Northern Europe
- D) Germany, France, United Kingdom

Answer: C

Diff: 2 Page Ref: 45

Chapter: 2

Skill: Concept

38) Which of the following statements is most likely NOT true?

- A) American managers treat everyone the same by making moral judgments based on general rules.
- B) Managers in Japan and Europe make ethical decisions based on shared values and social ties.
- C) American, Canadian, and British managers exhibit similar ethical practices.
- D) Japanese and Australian managers practice the highest ethical standards.

Answer: D

Diff: 3 Page Ref: 45

Chapter: 2

Skill: Concept

39) Transparency International is best described as a(n) _____.

- A) international committee that monitors electronic data privacy laws
- B) German non-governmental organization that fights corruption
- C) American non-profit organization that argues for workplace equality
- D) non-profit group that raises awareness about human rights violations in China

Answer: B

Diff: 3 Page Ref: 45

Chapter: 2

Skill: Concept

40) Which of the following is considered the primary problem for MNCs attempting to define their corporate-wide ethics?

- A) inconsistencies among international laws
- B) variations in ethical behavior standards
- C) corruptions within legal organizations
- D) differences in worldwide religions

Answer: B

Diff: 3 Page Ref: 45

Chapter: 2

Skill: Concept

41) According to Transparency International's 2007 Global Corruption Barometer for the business sector, which of the following countries is the MOST corrupt?

- A) Serbia
- B) Brazil
- C) Chile
- D) Nigeria

Answer: D

Diff: 2 Page Ref: 46

Chapter: 2

Skill: Concept

42) According to Transparency International's 2007 Global Corruption Barometer for the business sector, which of the following countries is the LEAST corrupt?

- A) United States
- B) Singapore
- C) Germany
- D) Japan

Answer: B

Diff: 2 Page Ref: 46

Chapter: 2

Skill: Concept

43) Which of the following statements NOT true?

- A) Bribery of public officials is prohibited by law in all countries.
- B) Bribery is common in parts of Africa and south and east Asia.
- C) Bribery occurs to expedite routine transactions and to persuade politicians.
- D) Bribery occurs only in less developed countries to supplement low incomes.

Answer: D

Diff: 3 Page Ref: 47

Chapter: 2

Skill: Concept

44) Payments to expedite routine transactions are often referred to as _____.

- A) slotting fees
- B) grease money
- C) gray funds
- D) expropriation

Answer: B

Diff: 1 Page Ref: 47

Chapter: 2

Skill: Concept

45) Tokens of appreciation, grease money, and kickbacks are considered _____.

- A) cultural reward systems
- B) questionable payments
- C) sales commissions
- D) business expenses

Answer: B

Diff: 1 Page Ref: 47

Chapter: 2

Skill: Concept

46) The Foreign Corrupt Practices Act of 1977 was primarily established to _____.

- A) help U.S. managers distinguish between harmless customs and actual bribery
- B) combat corruption initiated by U.S. electronics firms and their subsidiaries
- C) provide U.S. managers with anonymous methods for reporting bribery
- D) prosecute international extortionists under the U.S. legal system

Answer: A

Diff: 3 Page Ref: 48

Chapter: 2

Skill: Concept

47) Which of the following prohibits U.S. companies from making illegal payments or other gifts or political contributions to foreign government officials for the purposes of influencing them in business transactions?

- A) Sherman Antitrust Act
- B) Robinson-Patman Act
- C) Wagner Corruption Act
- D) Foreign Corrupt Practices Act

Answer: D

Diff: 1 Page Ref: 48

Chapter: 2

Skill: Concept

48) What was the primary purpose of the Organization for Economic Co-operation and Development Convention on Bribery?

- A) establish bribery laws
- B) quantify global corruption
- C) combat corporate corruption
- D) protect corporate bribery whistleblowers

Answer: C

Diff: 2 Page Ref: 48

Chapter: 2

Skill: Concept

49) Which of the following statements about the Foreign Corrupt Practices Act (FCPA) is NOT true?

- A) The FCPA allows "grease payments" as long as they are lawful in the host country.
- B) Possible penalties for violating the FCPA include severe fines and imprisonment.
- C) The FCPA allows firms to give government officials gifts in exchange for help.
- D) The FCPA applies only to U.S.-based multinational corporations.

Answer: C

Diff: 3 Page Ref: 48

Chapter: 2

Skill: Concept

50) Typical policies implemented by MNCs to confront concerns about ethical behavior include all of the following EXCEPT _____.

- A) developing a worldwide code of ethics
- B) integrating ethical policies into strategy development
- C) assessing the firm's ethical posture on a regular basis
- D) lobbying host governments to prosecute ethics violations

Answer: D

Diff: 3 Page Ref: 48

Chapter: 2

Skill: Application

AACSB: Ethical Reasoning

51) One of the primary complaints about the Foreign Corrupt Practices Act is that the legislation _____.

- A) puts U.S. firms at a competitive disadvantage
- B) fails to enforce equal punishments on U.S. firms
- C) encourages U.S. managers to hire local agents
- D) requires U.S. firms to adhere to host country laws

Answer: A

Diff: 3 Page Ref: 48

Chapter: 2

Skill: Concept

52) John is an American manager working at his firm's subsidiary in Indonesia. A local government official tells John that materials could be delivered to the firm's facility more quickly if John pays an extra fee to the port supervisor. What should be John's first action?

- A) consult his supervisor in the U.S.
- B) discuss the issue with his local agent
- C) refer to the company's code of ethics
- D) consult both American and Indonesian laws

Answer: D

Diff: 2 Page Ref: 49

Chapter: 2

Skill: Application

53) Which of the following is NOT recommended to international managers when they face decisions about questionable business practices?

- A) Consult the International Codes of Conduct for MNEs.
- B) Consult the generally accepted practices in the host country.
- C) Consult the laws of both the home and host country.
- D) Consult the company's code of ethics.

Answer: B

Diff: 2 Page Ref: 49

Chapter: 2

Skill: Application

54) Richard Rhodes, CEO of Rhodes Architectural Stone, makes a number of recommendations regarding how to deal with ethical situations overseas. Which of the following is NOT one of his recommendations?

- A) Refuse to pay bribes at all times.
- B) Accept that some issues are neither black nor white.
- C) Do not conduct business with entities that use child labor.
- D) Do not conduct business with entities that mistreat women.

Answer: B

Diff: 2 Page Ref: 50-51

Chapter: 2

Skill: Concept

55) In Japan, corporate social responsibility has traditionally meant that the company _____.

- A) follows what its competitors are doing
- B) follows the example of the government
- C) donates to charitable organizations
- D) takes care of its employees

Answer: D

Diff: 2 Page Ref: 52

Chapter: 2

Skill: Concept

56) Criticism against MNCs has primarily regarded their _____.

- A) attempts to impose moral standards
- B) dealings with foreign governments
- C) activities in less developed countries
- D) disregard towards the environment

Answer: C

Diff: 3 Page Ref: 52

Chapter: 2

Skill: Concept

57) Which of the following MNC subsidiary activities is blamed for rising interest rates in host countries?

- A) transferring in inappropriate technology
- B) dissolving local labor unions
- C) raising capital from local sources
- D) filling key jobs with expatriates

Answer: C

Diff: 2 Page Ref: 52

Chapter: 2

Skill: Concept

58) Which of the following best defines the concept of managing interdependence?

- A) the effective management of a long-term MNC subsidiary–host-country relationship through cooperation and consideration for host concerns
- B) the process by which international managers accept and enact their role in the preservation of ecological balance on the earth
- C) the process by which a firm grants the rights to a firm in the host country to produce or sell a product
- D) the process of developing strategies, designing and operating systems, and working with people around the world to ensure sustained competitive advantage

Answer: A

Diff: 2 Page Ref: 52

Chapter: 2

Skill: Concept

59) All of the following are criticisms of multinational corporations EXCEPT that they _____.

- A) begin their foreign operations by purchasing existing firms
- B) increase demand for luxury goods in host countries
- C) stimulate too much demand for scarce resources
- D) concentrate their R&D in host countries

Answer: D

Diff: 3 Page Ref: 52-53

Chapter: 2

Skill: Concept

60) MNCs assets located in host countries face the risk of all of the following EXCEPT _____.

- A) nationalism
- B) privatization
- C) protectionism
- D) governmentalism

Answer: B

Diff: 2 Page Ref: 53

Chapter: 2

Skill: Concept

61) Which of the following terms refers to the practice by a country of rallying public opinion in favor of national goals and against foreign influences?

- A) nationalism
- B) privatization
- C) protectionism
- D) governmentalism

Answer: A

Diff: 1 Page Ref: 53

Chapter: 2

Skill: Concept

62) Which of the following terms refers to a country's use of tariff and nontariff barriers to partially or completely close its borders to various imported products that would compete with domestic products?

- A) nationalism
- B) privatization
- C) protectionism
- D) governmentalism

Answer: C

Diff: 1 Page Ref: 53

Chapter: 2

Skill: Concept

63) Which of the following is NOT a typical bargaining chip of host governments in their dealings with MNCs?

- A) operation of state-owned firms
- B) regulations regarding taxes and permissions
- C) control of raw materials and market access
- D) possession of technology desired by the MNC

Answer: D

Diff: 2 Page Ref: 53

Chapter: 2

Skill: Concept

AACSB: Use of IT

64) Which of the following is most likely a benefit to host countries with MNC operations?

- A) risk sharing
- B) export diversification
- C) decrease of local capital
- D) creation of assembly-only plants

Answer: B

Diff: 2 Page Ref: 53

Chapter: 2

Skill: Concept

65) Primo is a multinational enterprise based in California that manufactures and sells affordably priced athletic shoes in retail stores around the world. A Primo manufacturing subsidiary in China employs over 20,000 locals. Primo executives recently learned of human rights violations at the firm's China subsidiary. Workers had been forced to work more than 60 hours each week, and minimum wage laws were regularly ignored. As a result, Primo executives need to decide whether to continue operations in China.

Which of the following questions is MOST relevant to the decision by Primo to remain in China?

- A) To what extent does bribery affect decisions made by Primo's global managers in China?
- B) What is done with the hazardous waste created by Primo's China manufacturing facility?
- C) How does the local Chinese community benefit from Primo's manufacturing subsidiary?
- D) What changes need to be made by Primo managers to show more respect for the Chinese culture?

Answer: C

Diff: 3 Page Ref: 53

Chapter: 2

Skill: Critical Thinking

66) Under governmentalism, the government uses its policy-setting role to favor national interests, rather than relying on _____.

- A) market forces
- B) stockholder interests
- C) competitive analysis
- D) environmental standards

Answer: A

Diff: 2 Page Ref: 53-54

Chapter: 2

Skill: Concept

67) MNCs operating in developing countries should ensure that their activities _____.

- A) do no intentional harm to the host country
- B) alter the economic system of the host country
- C) improve the existing culture of the host country
- D) all of the above

Answer: A

Diff: 2 Page Ref: 54

Chapter: 2

Skill: Concept

68) Which of the following terms refers to adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today, while protecting, maintaining, and enhancing the human and natural resources that will be needed in the future?

- A) privatization
- B) protectionism
- C) sustainability
- D) technoglobalism

Answer: C

Diff: 1 Page Ref: 54

Chapter: 2

Skill: Concept

69) Which of the following is NOT one of the three dimensions of sustainability?

- A) social
- B) economic
- C) technological
- D) environmental

Answer: C

Diff: 2 Page Ref: 54

Chapter: 2

Skill: Concept

70) Coca-Cola's operations in India suggests that international managers need to _____.

- A) work with locals to develop innovative environmental solutions
- B) consider the effects of MNC activities on the natural environment
- C) investigate cultural, political, and economic risks more carefully
- D) involve national governments in MNC ethics policy development

Answer: B

Diff: 3 Page Ref: 55

Chapter: 2

Skill: Application

71) In recent years, the export of hazardous wastes from developed countries to less developed ones has _____.

- A) decreased considerably
- B) remained about the same
- C) increased significantly
- D) been banned by the EU

Answer: C

Diff: 1 Page Ref: 55

Chapter: 2

Skill: Concept

72) What is the main reason why companies dispose of hazardous waste in less developed countries?

- A) international agreements
- B) weak regulations and low costs
- C) advanced waste disposal plants
- D) large amounts of available land

Answer: B

Diff: 1 Page Ref: 55

Chapter: 2

Skill: Concept

73) The two main exporters of pesticides are _____.

- A) England and Germany
- B) Canada and Mexico
- C) United States and Taiwan
- D) United States and Germany

Answer: D

Diff: 2 Page Ref: 56

Chapter: 2

Skill: Concept

74) If MNCs want to take the lead in dealing with ecological interdependence, then they most likely need to _____.

- A) comply with international environmental regulations
- B) incorporate sustainability goals into strategic planning
- C) invest all profits into recycling and renewing resources around the world
- D) work with foreign governments to draft global environmental protection legislation

Answer: B

Diff: 3 Page Ref: 56

Chapter: 2

Skill: Concept

75) All of the following are methods that MNCs can implement to deal with an increasing scarcity of natural resources EXCEPT by _____.

- A) looking for alternate raw materials
- B) developing new methods of recycling
- C) expanding the use of byproducts
- D) limiting foreign direct investment

Answer: D

Diff: 3 Page Ref: 56

Chapter: 2

Skill: Concept

76) What is the difference between ethics and social responsibility? What are some of the social responsibility issues that MNCs must consider?

Answer: Ethics deals with decisions and interactions on an individual basis, while social responsibility deals with broader decisions that affect the entire corporation. Issues of social responsibility for MNCs continue to center on the poverty and lack of equal opportunity around the world, the environment, consumer concerns, and employee safety and welfare.

Diff: 3 Page Ref: 36-37

Chapter: 2

Skill: Application

77) What level of social responsibility is expected from domestic firms? What level is expected from international firms?

Answer: Opinions on the level of social responsibility that a domestic firm should demonstrate range from one extreme—the only responsibility of a business is to make a profit, within the confines of the law, in order to produce goods and services and serve its shareholders' interests to another extreme—companies should anticipate and try to solve problems in society. The stance toward social responsibility that a firm should take in its international operations, however, is much more complex—ranging perhaps from assuming some responsibility for economic development in a subsidiary's host country to taking an active role in identifying and solving world problems.

Diff: 3 Page Ref: 37

Chapter: 2

Skill: Application

78) What is the relationship between global corporate culture and moral universalism?

Answer: The emergence of a global corporate culture (i.e., the integration of the business environments in which businesses operate) is leading towards global consensus about social responsibility (i.e. moral universalism). Despite this trend, however, there are regional variations in how companies respond to corporate social responsibility.

Diff: 3 Page Ref: 38-39

Chapter: 2

Skill: Application

79) Explain the differences between moral universalism, ethnocentrism, and ethical relativism. Which approach is best and why?

Answer: When using the ethnocentric approach, the company applies the morality of its home country. In contrast, a company using ethical relativism adopts the moral code of the country in which it is doing business. Moral universalism is different in that it neither applies a moral code that is based on the home or host country, but rather uses a set of universal standards or codes that are derived from international codes of conduct. Ethics researcher Bowie argues that moral universalism is preferable to ethnocentrism and relativism as a guide for ethical decision making.

Diff: 3 Page Ref: 39

Chapter: 2

Skill: Critical Thinking

80) What codes of conduct have been established to address human rights issues? What human rights issues do global managers face when working in China?

Answer: The Anti Sweatshop Code of Conduct was established by former President Clinton and provides a ban on forced labor, abuse, and discrimination. It requires, among other things, that companies provide a healthy and safe work environment and pay the prevailing local minimum wage. Nike found rampant violations of workers' rights in many of its factories throughout Asia, including making workers work 60 hours a week, forcing overtime, and ignoring laws on minimum wages and child labor.

Diff: 3 Page Ref: 39-40

Chapter: 2

Skill: Synthesis

AACSB: Ethical Reasoning

81) What are the proposed global labor standards of SA8000?

Answer: The five proposed global labor standards include: (1) do not use child or forced labor, (2) provide a safe working environment, (3) respect workers' rights to unionize, (4) do not regularly require more than 48-hour work weeks, and (5) pay wages sufficient to meet workers' basic needs.

Diff: 2 Page Ref: 40

Chapter: 2

Skill: Concept

82) According to the international codes of conduct, how should MNEs handle technology transfer overseas?

Answer: MNEs should cooperate with governmental authorities in assessing the impact of transfers of technology to developing countries and should enhance the technological capacities of developing countries. MNEs should develop and adapt technologies to the needs and characteristics of the countries in which they operate. MNEs should conduct research and development activities in developing countries, using local resources and personnel to the greatest extent possible.

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Chapter: 2

Skill: Application

AACSB: Ethical Reasoning

83) What employment practices should MNEs follow abroad according to the international codes of conduct?

Answer: MNEs should cooperate with host governments' efforts to create employment opportunities in particular localities. MNEs should try to increase employment opportunities and standards in the countries in which they operate. MNEs should give advance notice of plant closures and mitigate the resultant adverse effects. MNEs should provide standards of employment equal to or better than those of comparable employers in the countries in which they operate. MNEs should pay, at minimum, basic living wages.

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Chapter: 2

Skill: Application

AACSB: Ethical Reasoning

84) What is the primary problem for MNCs that try to define organizational ethics?

Answer: The biggest single problem for MNCs in their attempt to define a corporate-wide ethical posture is the great variation of ethical standards around the world. Many practices that are considered unethical or even illegal in some countries are accepted ways of doing business in others.

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Chapter: 2

Skill: Application

AACSB: Ethical Reasoning

85) What are questionable payments? Why are they problematic for international managers?

Answer: Questionable payments are business payments that raise significant questions of appropriate moral behavior either in the host nation or in other nations. Such questions arise out of differences in laws, customs, and ethics in various countries, whether the payments in question are political payments, extortion, bribes, sales commissions, or "grease money"—payments to expedite routine transactions. The dilemma for Americans operating abroad is how much to adhere to their own ethical standards in the face of foreign customs or how much to follow local ways to be competitive.

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Chapter: 2

Skill: Application

86) What is the purpose of the Foreign Corrupt Practices Act?

Answer: The Foreign Corrupt Practices Act prohibits U.S. companies from making illegal payments or other gifts, or political contributions to foreign government officials for the purpose of influencing them in business transactions. The goal was to stop MNCs from contributing to corruption in foreign governments, and to upgrade the image of the U.S. and its companies operating overseas.

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Chapter: 2

Skill: Application

87) How does the Foreign Corrupt Practices Act assist international managers?

Answer: Many managers believe that the FCPA has given them a more even playing field because they are now able to do business in countries where previously it was difficult to operate without bribery and kickbacks.

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Chapter: 2

Skill: Application

88) What are some of the policies and actions that MNCs take to manage ethical behavior and social responsibility?

Answer: Develop worldwide codes of ethics; consider ethical issues in strategy development; develop periodic "ethical impact" statements; and consider withdrawing from problem countries if ethical problems are unsolvable.

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Chapter: 2

Skill: Application

89) Discuss the different views of corporate social responsibility held by U.S. firms and Japanese firms.

Answer: In Japan, corporate social responsibility has traditionally meant that companies take care of their employees, whereas in the United States the public and private sectors are expected to share the responsibility for the community. Part of the explanation for this difference is that U.S. corporations get tax deductions for corporate philanthropy, whereas Japanese firms do not; nor are Japanese managers familiar with community needs. For these and other reasons, Japanese subsidiaries in the United States have not been active in U.S. philanthropy.

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Chapter: 2

Skill: Application

90) What are some of the major criticisms of MNC subsidiary activities?

Answer: MNC borrowing activities cause interest rates to rise in host countries; host country people have little control or ownership over MNC operations within their borders; MNCs save key managerial and technical positions for expatriates; MNCs do not adapt technology to fit local conditions; MNCs emphasize demand for luxury goods in host countries rather than essential goods; MNCs buy local firms rather than starting new ones; and, MNCs are not accountable to their host nations.

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Chapter: 2

Skill: Application

91) What are some of the advantages and disadvantages for host countries that experience technology transfer from MNCs? Do the benefits outweigh the costs? Why or why not?

Answer: Advantages include having access to new technology and R&D developments; employee training in new technology; and infrastructure development and support.

Disadvantages are that technology is not always appropriate.

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Chapter: 2

Skill: Critical Thinking

AACSB: Use of IT

92) In the relationship between MNC subsidiaries and host countries, what are the powers that each party holds? How does this interdependence support the argument that MNCs should implement global policies of corporate social responsibility?

Answer: MNC power is based on their large-scale, worldwide operations, strategic flexibility, access to technology, and production location. Host government power is based on control of raw material and market access, and the ability to develop laws governing private enterprise, the role of state-owned firms, and other matters involving foreign investment. MNC managers should implement policies that reflect corporate social responsibility regarding local economic issues, employee welfare, or natural resources. At the least, the failure to effectively manage interdependence results in constraints on strategy. In the worst case, it results in disastrous consequences for the local area, for the subsidiary, and for the global reputation of the company.

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Chapter: 2

Skill: Critical Thinking

93) What is sustainable development? Why is sustainability a dilemma for MNCs?

Answer: Sustainable development for business enterprises involves adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today, while protecting, sustaining and enhancing the human and natural resources that will be needed in the future. The dilemma for corporations is that they are faced with trying to meet two often contradictory requirements: (1) selling at low prices and (2) being environmentally and socially conscious. However, competitive pressures limit the company's ability to raise prices in order to cover the cost of socially responsible policies. This is obviously contradictory to the well-being of societies.

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Chapter: 2

Skill: Application

94) What is industrial ecology?

Answer: The concept of industrial ecology requires that an industrial system be viewed in concert with surrounding systems so as to optimize the total materials cycle from virgin material to ultimate disposal.

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Chapter: 2

Skill: Application

95) As an international manager, what can you do to deal with the increasing scarcity of natural resources?

Answer: At the least, MNC managers must deal with the increasing scarcity of natural resources in the next few decades by: (1) looking for alternate raw materials, (2) developing new methods of recycling or disposing of used materials, and (3) expanding the use of byproducts.

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Chapter: 2

Skill: Application

96) "When in Rome, do as the Romans do". Would this be a suitable guideline for MNC's doing business in developing countries with respect to ethical practices and social responsibility? Discuss.

Answer: It would be quite easy for MNCs to adopt and follow the business practices of host countries with respect to ethical standards and social responsibility. However, MNC stakeholders expect that when MNCs operate in the global context, they should use their capital, skills and power to play a proactive role in handling worldwide social and economic problems and be concerned with host country welfare. It is in this context that MNC's should follow the highest ethical standards with respect to questionable payments as practical business considerations allow. Many MNCs have clear-cut policies regarding payment of bribes, kickbacks to suppliers etc. U.S MNCs are subject to the provisions of the Foreign Corrupt Practices Act 1977 that prohibits U.S companies from making illegal payments or other gifts or political contributions to foreign government officials for the purposes of influencing them in business transactions. As far as social responsibility is concerned, MNCs should concern themselves with issues of use of hazardous technology, poverty and lack of equal opportunity, environment, consumer concerns and employee safety and welfare. Several international agencies have developed codes of conduct for MNCs operating in less developed countries just so MNCs do not exploit host countries under the guise of "When in Rome, do as the Romans do."

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Chapter: 2

Skill: Synthesis

AACSB: Ethical Reasoning

97) What are the different perceptions regarding corporations conducting business in China?

What are the challenges faced by international managers regarding human rights issues?

Answer: Often the discussion of human rights centers around Asia because many of the products in the West are imported from Asia by Western companies using manufacturing facilities located there. It is commonly held in the West that the best chance to gain some ground on human rights issues is for large MNCs and governments around the world to take a unified stance; many global players now question the morality of trading for goods that have been produced by forced labor or child labor. MNCs like Nike face considerable pressure in their home markets to address human rights in China and elsewhere. Consumers boycott their products, and trade unions in the United States, for example, complain that repression of workers' rights has enabled Chinese companies to push down labor costs, causing considerable loss of manufacturing jobs at home. Global managers are faced with not only considering stakeholders in the host country but also with weighing their rights against the rights of their domestic stakeholders. Most managerial decisions will have a trade-off of the rights of these stakeholders—at least in the short term. In spite of conflicting agendas, there is some consensus about what CSR means at a basic level—that "corporate activity should be motivated in part by a concern for the welfare of some non-owners, and by an underlying commitment to basic principles such as integrity, fairness and respect for persons."

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Chapter: 2

Skill: Synthesis

98) How can international managers know what the "right" decision is when faced with questionable business practices? How can MNCs ensure that "right" decisions are made?

Answer: First, one should consult the laws of both the home and the host countries. If any of those laws would be violated, then you, the manager, must look to some other way to complete the business transaction, or withdraw altogether. Secondly, you could consult the international codes of conduct for MNEs. These are broad and cover various areas of social responsibility and ethical behavior. If legal consultation does not provide you with a clear answer about what to do, you should consult the company's code of ethics (if there is one). Also, as the manager, you should realize that you are not alone in making these kinds of decisions. It is also the responsibility of the company to provide guidelines for the actions and decisions made by its employees. Many MNCs have decided to confront concerns about ethical behavior and social responsibility by developing worldwide practices that represent the company's posture. Among those policies are the following:

- Develop worldwide codes of ethics.
- Build ethical policies into strategy development.
- Plan regular assessment of the company's ethical posture.
- If ethical problems cannot be resolved, withdraw from that market.

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Chapter: 2

Skill: Synthesis

AACSB: Ethical Reasoning

99) What are some of the criticisms of MNCs operating in developing countries? What recommendations could you make to an MNC to avoid these criticisms?

Answer: Criticisms of MNC subsidiary activities in less developed countries are along these lines: MNCs often raise their needed capital locally (to reduce risk), contributing to a rise in interest rates in host countries; the majority (sometimes even 100 percent) of the stock of most subsidiaries is owned by the parent company. Consequently, host-country people do not have much control over the operations of corporations within their borders; MNCs usually reserve the key managerial and technical positions for expatriates. As a result, they may not immediately contribute to the development of host-country personnel; MNCs may not adapt their technology to the conditions that exist in host countries; MNCs concentrate their research and development activities at home restricting the transfer of technology; MNCs are not accountable to their host nations but only respond to home-country governments; they are not concerned with host-country plans for development. MNCs operating in and doing business with LDCs should:

- a. Do no intentional harm (including respect for the ecosystem and consumer safety)
- b. Produce more good than harm for the host country.
- c. Contribute to the host country's development.
- d. Respect the human rights of employees.
- e. To the extent that local culture does not violate ethical norms, respect the local culture and work with not against it.
- f. Pay their fair share of taxes.
- g. Cooperate with the local government in developing and enforcing just background institutions

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Chapter: 2

Skill: Synthesis

AACSB: Reflective Thinking

100) In a brief essay, discuss the three forms by which MNCs run the risk of their assets becoming hostage to host control.

Answer: The three forms include nationalism, protectionism, and governmentalism. Under nationalism, public opinion is rallied in favor of national goals and against foreign influences. Under protectionism, the host institutes a partial or complete closing of borders to withstand competitive foreign products, using tariff and nontariff barriers. Under governmentalism, the government uses its policy-setting role to favor national interests, rather than relying on market forces.

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Chapter: 2

Skill: Application