Chapter 02: Analytical Tools for International Business

Multiple Choice

1. Unlike domestic business, international business:
A. necessarily places greater emphasis on differences between countries.
B. assumes that everyone understands the norms of business.
C. is wary of the fact that the government can take its property without warning.
D. assumes that its customers and suppliers speak the same language.

Answer: A
Learning Objective: 2.1
Difficulty: Medium
AACSB: Reflective Thinking
Bloom’s Taxonomy: Analysis

2. Hexagram Inc., an American car-manufacturer, recently started its operations in India. To successfully carry out its operations in India, Hexagram should:
A. assume that the Indian customers and suppliers speak the same language.
B. assume that all Indian businesspeople understand the norms of business.
C. consider all the assumptions and culture-specific knowledge about India.
D. consider the fact that the Indian government can take its property without warning.

Answer: C
Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

3. Sherman Inc., a Canadian automaker, is the market leader in the automobile industry in Canada. It wants to expand its business to Southeast Asia. How can Sherman be a global winner in an international setting?
A. By capitalizing on the fact that its customers and suppliers speak the same language
B. By relying on the fact that everyone understands the norms of business
C. By focusing on the external factors that are consistent across industries
D. By being better able to identify and respond to local nuances

Answer: D

Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

4. Sharon is the chief executive officer of Kacey Cosmetics, a leading cosmetics brand in Australia. She is in consultation with the company’s board of directors to plan strategies about expanding the company’s operations to Europe. Which of the following can help Kacey Cosmetics in successfully engaging in international business?
A. Focusing on the external factors that are consistent across companies and industries
B. Knowing that the best way to do business domestically is the best way to do business internationally
C. Knowing how to manage activities when differences arise
D. Understanding that customers and suppliers speak the same language

Answer: C
Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

5. Amanda, a marketing manager at Xenon Inc., believes that the company should engage in international business as it will benefit the company in multiple ways. However, Kyle, an operations manager of the company, feels that it should concentrate on conducting business domestically. Which of the following statements supports Amanda’s beliefs?
A. By engaging in international business, Xenon can evade taxation in foreign markets.
B. By engaging in international business, Xenon can acquire new resources and knowledge.
C. By engaging in international business, Xenon can engage in corporate social responsibility.
D. By engaging in international business, Xenon can effectively use a single marketing strategy for all its products.

Answer: B
Learning Objective: 2.1
Difficulty: Hard
AACSB: Analytic
Bloom’s Taxonomy: Evaluation

6. One of the major objectives that motivates companies to engage in international business is to:
A. reduce the risk of being exposed to a given market.
B. evade taxation in foreign markets.
C. engage in corporate social responsibility.
D. understand local businesses.

Answer: A
Learning Objective: 2.1
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

7. Chris is the global operations manager at Asterisk Inc., a Canadian apparel company. The company is planning to start operations in Brazil and Japan. Chris believes that Asterisk has the potential to boost its overall sales by setting up operations in Brazil and Japan if:
A. it understands that customers in both these countries have similar preferences.
B. it follows the same business strategy for its global operations that it uses for its domestic operations.
C. it can use a universal marketing strategy for its products to appeal to customers of both these countries.
D. it can persuade people in these two countries to buy its products.

Answer: D
Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

8. Ezura Inc. is an American consumer electronics company. Its business growth has become stagnant. For this reason, the company is planning strategies to boost its business. Jared, the head of the marketing function, believes that engaging in international business can help Ezura increase its sales. He further claims that increased sales from abroad will benefit the company in the long run. Which of the following supports his claim?
A. Increased sales from abroad can enable Ezura to decrease labor-related expenses.
B. Increased sales from abroad can enable Ezura to acquire specific types of resources at low costs.
C. Increased sales from abroad can enable Ezura to reduce its per-unit costs by covering its fixed costs.
D. Increased sales from abroad can enable Ezura to base its subunits on specific geographic locations.

Answer: C
Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

9. Sienna Inc., a cosmetics company, recently started its business in the United States. It has experienced fast growth in the first eight months. To continue its success in the international market, Sienna has decided to open its branches in Europe. Given this information, it can be said that Sienna is a _____ firm.
A. partnership
B. born global
C. joint venture
D. boutique

Answer: B
Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

10. Citron Corp., a German car manufacturer, wants to start its operations in Southeast Asia. By engaging in international business, Citron can:
A. gain minerals or other natural resources that cannot be found in the home country.
B. reduce its fixed costs, such as research and development costs.
C. effectively follow a single marketing strategy for all its products globally.
D. be free from business regulations in overseas markets.

Answer: A
Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

11. Bennington Inc., an American computer technology company, is planning to expand its business in South American and Southeast Asian countries. By operating in multiple countries, Bennington is most likely to:
A. minimize the probability of facing economic and political issues in these countries.
B. minimize the impact of economic swings it may experience over the years.
C. increase the risk of becoming less competitive over the years.

D. be successful if it follows a single marketing strategy for all its products globally.

Answer: B
Learning Objective: 2.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

12. Which of the following is true of international business?
A. By diversifying the places where its products are made, a company can soften the impact of price increases or supply shortages that may occur in any one country.
B. Operating in multiple countries can maximize the impact of economic swings an individual company may experience over the years.
C. When a company conducts business globally, external factors are consistent across companies and even industries.
D. When operating globally, companies rely on the fact that the government of a country will not come along and take their property without warning or justification.

Answer: A
Learning Objective: 2.1
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

13. Darwin Inc. is a smartphone company in Nesland, a country in Eastern Europe. It decides to start its operations in Ervetia, a country in Africa. However, because of the poor implementation of property rights in Ervetia, Darwin is forced to shut down its factories there. Darwin's operations are interrupted in Ervetia because of the country's _____.
A. sociocultural factors
B. technological factors
C. political factors
D. economic factors

Answer: C
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

14. Nebula Inc. is an American multinational software development company, and it has operations in Orvetia. It has a working hours policy of nine hours a day. However, in Orvetia, a country in Eastern Europe, the labor laws specify that employees should work only eight hours a day. Which of the following external factors is affecting Nebula's operations in Orvetia?
A. Sociocultural factors
B. Technological factors
C. Economic factors
D. Political factors

Answer: D
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

15. Kulovia, a country in Eastern Europe, allows free trade and foreign investment. Cyan Inc., an American consumer electronics company, thinks that the policies in Kulovia are favorable for conducting business. Which of the following external factors has Cyan taken into consideration?
A. Economic factors
B. Sociocultural factors
C. Technological factors
D. Political factors

Answer: A
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

16. Dalton Inc., a Canadian apparel company, wants to open its stores in South Korea. Which of the following is an economic factor that Dalton should consider before opening the stores in South Korea?
A. Specific industry conditions and related changes in South Korea
B. Common values and ideologies of the people of South Korea
C. Labor laws and property rights of South Korea
D. Intellectual infrastructure of South Korea

Answer: A
Learning Objective: 2.2
Difficulty: Medium

AACSB: Analytic
Bloom's Taxonomy: Application

17. Rhombus Inc. is a German consumer electronics company. It is planning to start its operations in India. Which of the following is an economic factor that Rhombus should consider before starting its operations in India?
A. The major and minor religions in India
B. The stability of trade cycles in India
C. India's labor laws
D. India's intellectual infrastructure

Answer: B
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

18. Relish Inc. is an American food manufacturing company that produces cereal and convenience foods. It wants to expand its market in Johivia, a country in West Asia. Which of the following is a sociocultural factor that it should consider before starting operations in Johivia?
A. Johivia's labor laws
B. The stability of trade cycles in Johivia
C. Information systems in Johivia
D. Educational standards of the people in Johivia

Answer: D
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

19. Pristine Inc., a French athletic footwear company, has started its operations in Argentina. In this scenario, Argentina is the _____.
A. third country
B. parent country
C. home country
D. host country

Answer: D

Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

20. As part of its business, Casper Inc., an Australian smartphone company, has opened its manufacturing plant in Sao Paulo, Brazil. In this scenario, Brazil is the _____.
A. third country
B. parent country
C. host country
D. home country

Answer: C
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

21. Argon Inc., a designer handbag company, is planning to open its stores in Mexico. Which of the following is a technological factor that is likely to affect Argon's modes of operation in Mexico?
A. The method and style of communication used in Mexico
B. The stability of trade cycles in Mexico
C. Mexico's intellectual infrastructure
D. Mexico's social structure

Answer: C
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

22. Which of the following is true of external factors that affect a company's modes of operation in a foreign market?
A. In developed countries, manufacturing has traditionally been a stronger sector because of the low cost of labor.
B. Companies are increasingly turning to manual labor for manufacturing jobs for cost cutting.
C. The number of manufacturing jobs is increasing in many countries because of the increased emphasis on and quality of manufacturing technologies.

D. Advances in technology have pushed employment out of manufacturing and toward more service-oriented jobs.

Answer: D
Learning Objective: 2.2
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

23. Germanium Inc., a software company, uses common operating systems for all its computers connected through the Internet. Given this information, it can be said that these operating systems are _____.
A. business intelligence portals
B. integrated technology platforms
C. enterprise planning systems
D. strategic information systems

Answer: B
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

24. Dylan is the global operations manager at Orchid Inc., an American smartphone company. He has planned a strategy to expand the company's business in France. He proposes to analyze different contextual environments in France to understand the long-term business trends and how they might affect Orchid's business in France. Which of the following tools should Orchid use to get a picture of the competitive landscape in France?
A. CATWOE analysis
B. MOST analysis
C. PEST analysis
D. SWOT analysis

Answer: C
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

25. Apricot Inc., an American food and beverage company, is devising strategies to expand its business in Austria. Jonathan, a manager at Apricot, believes that a PEST analysis is the best way to get a picture of the competitive landscape in Austria. Which of the following statements supports his belief?
A. A PEST analysis can be used to analyze the internal business environment of the company.
B. A PEST analysis can be used to reinforce old assumptions about how managers should run the company in Austria.
C. A PEST analysis can be used to increase its per-unit costs by excluding its fixed costs.
D. A PEST analysis can be used to implement appropriate practices from local Austrian cultures while avoiding problematic ones.

Answer: D
Learning Objective: 2.2
Difficulty: Hard
AACSB: Analytic
Bloom’s Taxonomy: Evaluation

26. Vermilion Inc. is an American business consulting company. The company is planning to open its office in Argentina. Jensen, a manager at Vermilion, suggests that the company should conduct a PEST analysis before taking this step. Which of the following is a political factor that Vermilion should take into consideration in its PEST analysis?
A. Tax rates in Argentina
B. Wage rates in Argentina
C. Poverty rates in Argentina
D. Specific industry conditions in Argentina

Answer: A
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

27. Sapphire Inc., an American consumer electronics company, wants to conduct a PEST analysis before starting its operations in Brazil. Which of the following is a political factor that Sapphire should take into consideration in its PEST analysis?
A. Local business practices in Brazil
B. Wage rates in Brazil
C. Poverty rates in Brazil
D. Industrial policies in Brazil

Answer: D

Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

28. Genevieve is a manager at Titanium Inc., an American apparel company. Before opening its manufacturing units in China, Genevieve believes that Titanium should analyze different contextual environments to understand long-term trends in China and assess how they might affect Titanium's business there. Which of the following is an economic factor that Titanium should take into consideration in its PEST analysis?
A. Government efficiency in China
B. Workforce productivity in China
C. Offshoring backlash in China
D. Advancement of infrastructure in China

Answer: B
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

29. Gabriella is a manager at Ivory Inc., an Australian footwear brand. She proposes that by engaging in business in the United States, Ivory can increase its sales. She suggests that by conducting a PEST analysis, Ivory can gain insights about the business environment in the United States. Which of the following is an economic factor that Ivory should take into consideration in its PEST analysis?
A. Local competition in the United States
B. Government efficiency in the United States
C. Offshoring backlash in the United States
D. Advancement of infrastructure in the United States

Answer: A
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

30. Tangerine Inc., a German software company, wants to conduct a PEST analysis before starting its operations in South Korea. Which of the following is a sociocultural factor that Tangerine should take into consideration in its PEST analysis?

A. Government efficiency in South Korea
B. Workforce productivity in South Korea
C. Offshoring backlash in South Korea
D. Advancement of infrastructure in South Korea

Answer: C
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

31. Ether Inc., a British telecommunications services company, uses PEST analysis to identify and assess the technological factors that are likely to affect its business operations in India. Which of the following is a technological factor that Ether is most likely to examine in its PEST analysis?
A. Preferences of customers in India
B. Workforce productivity in India
C. Offshoring backlash in India
D. Advancement of infrastructure in India

Answer: D
Learning Objective: 2.2
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

32. Which of the following is an internal management factor that companies need to consider as they decide to do business internationally?
A. The mode of entry into new countries
B. The cost of raw materials and resources
C. Local business practices
D. Industrial policies

Answer: A
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom’s Taxonomy: Comprehension

33. Windsor Inc., an American home appliances manufacturer, engages in international business by shipping its products to multiple countries around the world. Given the scenario, it can be said that Windsor is involved in _____.
A. franchising
B. licensing
C. exporting
D. importing

Answer: C
Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

34. Mauve Inc., an American chain of cosmetics stores, purchases makeup applicators from China and sells them in its stores across the United States. Given this information, it can be said that Mauve is engaged in _____.
A. franchising
B. licensing
C. exporting
D. importing

Answer: D
Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

35. Carmine Inc., a Brazilian smartphone manufacturer, purchases semiconductors from the United States. These semiconductors are used in the production of smartphones. Carmine chiefly sells its smartphones in Brazil. In this scenario, Semiconductors are _____ for Carmine.
A. imports
B. patents
C. royalties
D. embargoes

Answer: A
Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

36. In the case of international business, a _____ is one in which a company already operating in a particular country builds a building, plant, or machine for a foreign company.
A. franchisee
B. turnkey project
C. joint venture
D. subsidiary

Answer: B
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Knowledge

37. Neon Inc. wants to engage in international business to increase its sales. Travis, a manager at Neon, feels that licensing is the best way through which the company can enter a foreign market. However, Isaac, another manager at the company, is skeptical of licensing. Which of the following statements supports Isaac's skepticism?
A. Licensing often increases the risks of not knowing the local market.
B. Licensing transfers the ownership of the child company to the parent company.
C. Licensing can result in lost opportunities for parent companies.
D. Licensing can prevent companies from receiving royalties.

Answer: C
Learning Objective: 2.3
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

38. Crimson Corp., an American apparel company, has a tie-up with a European football club. Crimson sells a line of jerseys with the football club's logo on it. The company has to pay a percentage of its earnings from the sales of the jerseys to the football club. In this scenario, the payments are called _____.
A. royalties
B. patents
C. quotas
D. embargoes

Answer: A

Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

39. _____ is the permission to use another company’s trademarks, patents, copyrights, and expertise according to a strict template setting out the way it does business.
A. Exporting
B. Importing
C. Franchising
D. Insourcing

Answer: C
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom’s Taxonomy: Knowledge

40. Franchising is similar to licensing in that:
A. it requires that the franchiser allows the franchisee to use its trademarks, patents, and copyrights according to a strict template outlining the way it does business.
B. it requires the franchisee to pay a royalty in return for using the franchiser’s intellectual property and receiving managerial support.
C. it involves the franchiser building new plants or offices and then hiring employees when the franchisee enters the franchiser’s market.
D. it involves the franchiser purchasing goods or services from the franchisee to be sold in the franchiser’s home market.

Answer: B
Learning Objective: 2.3
Difficulty: Medium
AACSB: Reflective Thinking
Bloom’s Taxonomy: Analysis

41. Delish Inc., an American convenience food company, formed a new company called Sapid in collaboration with Alpha Foods Inc., an Indian food and beverages company as part of its global expansion strategy. The purpose of this collaboration was to develop breakfast cereals that would specifically target the needs of Indian consumers. Given this information, it can be said that Sapid is a _____.
A. turnkey project

B. franchisee
C. joint venture
D. subsidiary

Answer: C
Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

42. Which of the following is true of a joint venture?
A. It involves one company allowing another company to use its trademarks, patents, copyrights, or expertise.
B. It is similar to licensing, but it requires a much higher level of commitment from the two companies involved.
C. It increases the risks of not knowing the local market.
D. It ensures that neither of the two original companies is directly harmed by failure.

Answer: D
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

43. Which of the following best exemplifies a subsidiary?
A. Crimson Inc. is owned by Delta Inc. that owns 100% of its operations.
B. Osmium Inc. is formed by the merger of Iris Inc. and Hexagon Inc.
C. Chromium Inc. uses trademarks, patents, and copyrights of Radon Inc. according to a strict template.
D. Krypton Inc. pays Argon Inc. a royalty on all sales of its merchandise with Argon Inc.'s logo.

Answer: A
Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

44. In a greenfield venture, _____.

A. the parent company allows the child company to use its trademarks, patents, copyrights, or expertise
B. two or more companies jointly own a third, separate company
C. the parent company buys an established company in a foreign country
D. the parent company builds new plants or offices and then hires employees when it enters the market

Answer: D
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

45. As part of its international expansion strategy, Jade Inc., an American software company, acquired Verde Inc., a Mexican software company. All of Verde's operations are now owned by Jade. One of the challenges that Jade faced was overcoming the cultural and language barriers that posed difficulty in the integration of Verde's existing culture with that of Jade's. Given this information, it can be said that Verde is a _____ of Jade.
A. proprietorship
B. licensee
C. franchisee
D. subsidiary

Answer: D
Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

46. One of the key objectives of any international strategy is to help a company:
A. manage the wide differences that exist across countries and regions.
B. modify the existing organizational culture of the company that it is acquiring.
C. evade taxation in a host country.
D. centralize its global operations for smooth functioning in foreign markets.

Answer: A
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

47. _____ determines where in a hierarchy the decisions about a company are made.
A. Horizontal structuring
B. Vertical structuring
C. Franchising
D. Licensing

Answer: B
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Knowledge

48. Which of the following is true of horizontal structuring?
A. It involves following a strict chain of command.
B. It determines where in a hierarchy a company's decisions are made.
C. It reflects the way a company decides to subdivide itself.
D. It involves clearly defining job responsibilities.

Answer: C
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

49. In which of the following ways can an organization be structured horizontally?
A. It can acquire an existing foreign company.
B. It can appoint one decision maker for its global operations.
C. It can base its subunits on specific geographic locations.
D. It can determine where in its hierarchy organizational decisions should be made.

Answer: C
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

50. Vermilion Inc. is a multinational conglomerate. It has three subdivisions that deal with apparel, consumer electronics, and healthcare products. Each subdivision has the authority to make its own business decisions. This scenario illustrates _____.

A. licensing
B. vertical structuring
C. franchising
D. horizontal structuring

Answer: D
Learning Objective: 2.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

51. _____ is a larger understanding of a global company and its mission and values, including how different localities can contribute strengths to compensate for one another's weaknesses.
A. A strong organizational commitment
B. A strong corporate vision
C. Functional excellence
D. Industry expertise

Answer: B
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Knowledge

52. _____ is the ability to work across different departments of an organization, such as finance, marketing, information technology, to ensure corporate level operations work in different countries.
A. Cognitive empathy
B. Emotional intelligence
C. Functional excellence
D. Industry expertise

Answer: C
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Knowledge

53. Industry expertise means:

A. working across different industries to ensure corporate level operations work in different countries.
B. understanding a global company in an industry and its mission and values, including how different localities can contribute strengths to compensate for one another's weaknesses.
C. understanding an industry and its customer needs and cultivating that knowledge in a new industry.
D. understanding where an industry is going in the future, who the key players and competitors are, and how a company might lead that industry.

Answer: D
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

54. _____ represents a deep understanding of local context and customer needs and the ability to cultivate that knowledge in new contexts and locations.
A. Market savvy
B. Emotional intelligence
C. Functional excellence
D. Industry expertise

Answer: A
Learning Objective: 2.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Knowledge

Essay

55. Do you think a company can gain specific types of resources from foreign sources by engaging in international business? Give reasons to support your answer.

Answer: Answers will vary. By engaging in international business, a company may gain specific types of resources from foreign sources that it might not be able to get in its home country, such as new knowledge about how to do something; minerals or other natural resources that cannot be found in the home country; lower costs for labor, equipment, or land; and higher-quality goods and services. In fact, most companies don't go abroad looking for just one of these resources, but for many or all of them. For

example, when BMW set up production operations in South Africa, not only was it able to reduce labor and utility costs, but it also had closer and cheaper access to iron ore for use in its cars.
Today, many companies learn a great deal by going to foreign countries, and what they learn is not trivial. For example, many of the world's major automobile companies have design shops or partnerships in Italy because of its reputation for sleek and stylish car designs, such as Ferrari and Lamborghini. Even though Bugatti cars are manufactured in Germany, the company's founder, Ettore Bugatti, was born and raised in Milan, Italy, and the company is currently headquartered in France.
Until 2005, the U.S. company General Electric (GE) had one central R&D center in New York. Since that time, it has built four other R&D centers around the world—in Munich, Shanghai, Bangalore, and Rio de Janeiro. GE decided that it needed to tap into different countries for new and insightful ideas—ideas that could not come if it limited itself to scientists from just one country. An example of the benefits of this approach is the new Vscan ultrasound machine. It was designed at the Shanghai R&D center in response to a need among rural Chinese doctors. But the idea turned out to be valuable not only for China but also for GE's home market in the United States and in other countries around the world as well.
The section "New Resources" on page 20 discusses how a company can gain specific types of resources from foreign sources by engaging in international business. Students can use this section to make their own interpretation and answer this question.
Learning Objective: 2.1
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

56. Do you agree that a downturn in one country can be a growth period in another? Express your views with an example.

Answer: Answers will vary. Sometimes a downturn in one country can be a growth period in another. For example, during the Great Recession of 2007–2009, many U.S. companies flipped their sales: Rather than selling the majority of their products at home, where the economy had weakened and spending was down, they switched their focus to emerging markets such as the BRIC nations—Brazil, Russia, India, and China—and other countries where demand remained strong. Some companies were able to replace their dependence on U.S. sales by increasing the sale of products and services in these emerging markets. However, the pendulum is swinging again. With the economic slowdowns in China, India, and Brazil, and the growth of the U.S. market in 2017, some of these sales have shifted back as U.S. consumers have become more willing and able to spend again.
The section "Reduced Risk" on page 21 discusses how a downturn in one country can be a growth period in another. Students can use this section to make their own interpretation and answer this question.
Learning Objective: 2.1

Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

57. Do you think a host country's sociocultural factors have important implications when it comes to a company's decision about when and how to do business there? Justify your answer.

Answer: Answers will vary. A country's sociocultural factors have important implications when it comes to a company's decision about when and how to do business there. Sociocultural factors include the method and style of communication, major and minor religions, common values and ideologies, educational standards, and social structure. For instance, because of language similarities and low labor costs, many U.S. companies have found India to be an attractive place to locate their facilities, particularly those focused on communication, such as call centers and software development companies. Eastern Europe has also begun to attract interest because citizens there are often well educated and speak fluent English. Similarly, the U.S. military's long-term stay in Panama developed a bilingual workforce that already understands the U.S. work culture. Now that the Panama Canal has been expanded to accommodate new, larger freight ships, the United States is looking to take advantage of these close ties to and cultural similarities in the workforce there.
Managers stand a better chance of understanding the culture of a host country—a country in which an international business operates—by recognizing and accommodating different ideologies, religious beliefs, communication styles, education systems, and social structures. Even in countries that have close linguistic or cultural links, management practices are often dramatically different. For example, night shifts may be taboo. Employers might be expected to provide employees with meals while at work and transportation between home and work. In most of the Islamic Middle East, it is completely acceptable to ask coworkers very personal questions about their children, especially their sons, but never about their wives.
The section "Sociocultural Factors" on page 23 discusses how a country's sociocultural factors have important implications when it comes to a company's decision about when and how to do business there. Students can use this section to make their own interpretation and answer this question.
Learning Objective: 2.2
Difficulty: Hard
AACSB: Analytic
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58. Justify the argument that the level of technology available in a country influences the threats and opportunities foreign companies face.

Answer: Answers will vary. The level of technology available in a country influences the threats and opportunities foreign companies face. Technological factors make up the technological infrastructure in a country and include such things as intellectual infrastructure, such as investments in universities and research, and physical infrastructure—for example, investments in manufacturing equipment, information systems, and technology platforms, and consumer access to Internet technology. Because of the increased emphasis on and quality of manufacturing technologies in many countries, the number of manufacturing jobs is decreasing. Companies are increasingly turning to sophisticated machinery to produce the same amount of product using fewer workers—a common trend with products like cars, clothes, and computers—and it is spreading to other segments of industry.

In less developed countries, manufacturing has traditionally been a stronger sector because the low cost of labor; even in these markets, however, labor-saving technology is becoming more affordable and accessible. Consider, for instance, a textile factory in Vietnam. It is now often more cost-effective for the factory to purchase high-tech threading equipment to spin cotton into thread than to hire hundreds of people to spin the cotton by hand, even when the average wage for such employees is less than $100 a month. While advances in technology have pushed employment out of manufacturing and toward more service-oriented jobs, information systems and technology platforms have also increased the rate at which these services can be traded across countries. Along with the creation of the World Trade Organization (WTO), 1995 also signaled the beginning of the Internet era. America Online (AOL) went public in 1995, marking the beginning of integrated technology platforms and instantaneous global sharing. Integrated technology platforms are common operating systems, such as Microsoft Windows 10, that can be used across multiple computers connected through the Internet. When work platforms are standardized across locations, work becomes less specific to particular companies or countries.

The section “Technological Factors” on pages 23–24 discusses how the level of technology available in a country influences the threats and opportunities foreign companies face. Students can use this section to make their own interpretation and answer this question.

Learning Objective: 2.2
Difficulty: Hard
AACSB: Analytic
Bloom’s Taxonomy: Evaluation

59. Do you think a company can effectively enter a foreign market is through licensing? Justify your answer.

Answer: Answers will vary. One of the ways to enter a foreign market is through licensing. When one company allows another to use its trademarks, patents, copyrights, or expertise, the two companies typically enter into a licensing agreement. In return for allowing the second, sometimes foreign, company to use its intellectual property, the licensing company receives earnings called royalties, or a percentage of what is earned

from the sale of such products or services. For example, Nike pays Ohio State University a royalty on all sales of athletic gear with Ohio State University's logo. Similarly, Lucasfilm and its new owner, Disney, have licensed the Star Wars brand for fees of more than $30 billion to companies that market products as diverse as oranges and toys. While licensing can reduce risk, it can also result in lost opportunities for parent companies. For instance, in 2016 the value of Nintendo shares soared as the Pokémon GO mobile game became immensely popular around the world. However, when investors realized that Niantic Labs had in fact developed the game and paid a licensing fee to Nintendo, Nintendo shares plummeted nearly 18 percent in one day. While Nintendo still benefited from Pokémon GO, it certainly lost an opportunity because it had only licensed and not developed the game.
The section "Country Entry" on page 26 discusses how a company can enter a foreign market through licensing. Students can use this section to make their own interpretation and answer this question.
Learning Objective: 2.3
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

60. Do you think it is possible to run a large organization with only one decision maker? Justify your answer. How can a company structure itself to enable smooth decision making?

Answer: Answers will vary. Running a large organization with only one decision maker is impossible. Therefore, companies organize subunits and then choose how decisions are delegated among them. Horizontal structuring reflects the way a company decides to subdivide itself. One common practice is to base subunits on specific geographic locations. For example, some international businesses have in each country a separate division with its own decision-making power. Or a division may consist of an entire region of the world whose manager makes all major decisions and the managers in given countries of that region make minor decisions. Other companies are divided into subunits based on function, such as finance, marketing, information technology, human resources, and operations. Still others subdivide according to their various business missions, customers, or products. For example, some of IBM's divisions are Global Technology Services, Global Business Services, Systems and Technology, Software, and Global Financing. Each is responsible for its own business activities worldwide, and decisions are made to manage the individual product families at a global level.
The section "Organization" on page 28 discusses horizontal structuring. Students can use this section to make their own interpretation and answer this question.
Learning Objective: 2.3
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation