Module 01 The Challenging Context of International Business

True / False Questions

1. All managers need to have a basic knowledge of international business.
   
   True False

2. International experience is valuable for mid-career individuals who aspire to higher positions and greater responsibility, but not for students seeking their first job beyond university.
   
   True False

3. Only a company that has foreign operations needs to be aware of what is occurring globally in its markets and in its industry.
   
   True False

4. The operations of a company outside its home or domestic market are known as foreign business.
   
   True False

5. Foreign business refers to the operations of a company between its home market and markets elsewhere in the world.
   
   True False

6. An international company (IC) is a company headquartered in another nation.
   
   True False
7. International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and global.

True    False

8. As used in the text, the term environment means all the forces influencing the life and development of the firm.

True    False

9. The external forces are commonly called uncontrollable forces, which are the external forces that management has no direct control over, although it can exert influence.

True    False

10. The internal forces, such as the factors of production and the activities of the organization, are called the uncontrollable forces.

True    False

11. The domestic environment is all the controllable forces originating in the home country that surround and influence the life and development of the firm.

True    False

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

True    False

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

True    False
14. Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

True  False

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

True  False

16. While international business as a discipline is relatively new, international business as a business practice is not.

True  False

17. Britain was the world’s leading manufacturing country for about 1,800 years, until it was replaced by the United States at the end of the 1800s.

True  False

18. The Ottoman Empire’s powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.

True  False

19. International trade has historically had a major influence on industry, agriculture, and the economy of nations, but not on public health or politics.

True  False

20. The 17th and 18th centuries have frequently been termed the age of mercantilism because the power of nations depended directly on the sponsorship and control of merchant capital, which expanded under the direct subsidization and protection of national governments.

True  False
21. According to the text, the level of intracompany trade of multinationals in 1930, as a percentage of world trade, may have exceeded the proportion at the end of the 20th century.

True  False

22. Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world's economic center of gravity from Europe and the Americas and back to Asia.

True  False

23. Transnational corporations account for approximately 25 percent of total global output and nearly 50 percent of world trade.

True  False

24. Although they represent less than 1 percent of all transnational corporations, state-owned transnationals account for more than 11 percent of the world's foreign direct investment.

True  False

25. The five major kinds of drivers, all based on changes that are leading international firms to the globalization of their operations, include political, sociocultural, technological, market, and competitive drivers.

True  False

26. That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree.

True  False

27. Supporters of globalization generally argue that it is the best strategy for advancing the world's economic development.

True  False
28. Expanded international trade is linked with the creation of more and better jobs.

   True   False

29. Globalization has produced uneven results across nations and people.

   True   False

30. Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.

   True   False

**Multiple Choice Questions**

31. A survey of CEOs of the 162 largest firms on *Fortune's* list of the 500 largest American corporations found that the CEOs strongly believed that

   A. all business students should major in international business.
   B. an international orientation should be an important part of college business education, but only for those students planning to work internationally.
   C. international business skills and knowledge were important for promotion to senior executive positions but not for appointment to entry-level positions.
   D. the importance of international business skills and knowledge for promotion to senior executive positions was higher for companies anticipating an increased level of importance of international activities in the next five years.
   E. foreign language proficiency should be required of all business students.
32. A survey of CEOs of the 162 largest firms on Fortune's list of the 500 largest American corporations found that the CEOs strongly believed that

A. all business students should major in international business.
B. an international orientation should be an important part of a college business education, but only for those students planning to work internationally.
C. international business skills and knowledge were important for appointment to entry-level positions.
D. international business skills and knowledge were critical for promotion to senior executive positions in all companies.
E. foreign language proficiency should be required of all business students.

33. A survey of CEOs of the 162 largest firms on Fortune's list of the 500 largest American corporations found that the CEOs strongly believed all of the following except

A. an international orientation should be an important part of a college business education.
B. international business skills and knowledge were important for promotion to senior executive positions.
C. international business skills and knowledge were important for appointment to entry-level positions.
D. the importance of international business skills and knowledge was magnified for companies that anticipated increasing importance of international activities in the next five years.
E. foreign language proficiency was essential for promotion to senior executive positions.
34. A survey of CEOs of the 162 largest firms on *Fortune*'s list of the 500 largest American corporations found that for developing international skills, respondents believed that a number of courses in the international business curriculum are relevant to their companies, including courses on topics related to:

A. international legal and political issues.
B. introduction to international business.
C. international strategy and competitiveness.
D. international marketing.
E. foreign language.

35. As mentioned in the text, managers in companies with no foreign operations of any kind still need a global perspective, for all of the following reasons except

A. it will help them to be watchful for new foreign competitors preparing to invade their domestic market.
B. it will help them to be alert for sales and sourcing opportunities in foreign markets.
C. it will enable them to be effective leaders across different cultures and political systems.
D. it will help them to manage diversity within teams.
E. foreign experience reflects independence, resourcefulness, and entrepreneurship.

36. According to the text, you can improve your chances for obtaining an overseas post by doing all of the following except

A. taking classes in the area of international business.
B. going abroad to study.
C. going abroad to work as a teacher or bartender.
D. getting a well-paid domestic internship.
E. volunteering in community development activities in another country.
37. According to the text, you can improve your chances for obtaining an overseas post by doing all of the following except

A. taking advanced classes in accounting or information systems.
B. making your boss aware of your interest in international business.
C. trying to meet people who work with your company's foreign subsidiaries.
D. working in another country as a child care provider.
E. taking classes in the area of international business.

38. The increased internationalization of business requires ________ to have a basic knowledge of international business.

A. all managers
B. managers of multinationals
C. managers of transnationals
D. managers of purely domestic operations
E. marketing managers

39. An international business

A. is a business whose activities involve crossing national borders.
B. denotes the domestic operations within a foreign country.
C. is an organization with multicountry affiliates.
D. is an organization that attempts to standardize operations worldwide.
E. is engaged in international trade.
40. Foreign business denotes

A. a business whose activities involve crossing national borders.
B. business conducted within a foreign country.
C. an organization with multicountry affiliates.
D. an organization that attempts to standardize operations worldwide.
E. a business with operations in multiple nations.

41. According to the text, an international business is

A. a company that exports.
B. a company that has foreign direct investment.
C. a company with both exports and foreign direct investment.
D. a company with operations in multiple nations.
E. a company from a foreign country.

42. International business differs from domestic business in that a firm operating across borders must deal with which of the following additional environmental forces?

A. Geographic
B. Foreign
C. Political
D. Competitive
E. Sociocultural
43. International business differs from domestic business in that a firm operating across borders must deal with

A. the foreign environment and the international environment.
B. two of the international environment, the domestic environment, and the global environment.
C. all three of the domestic environment, the foreign environment, and the global environment.
D. the international environment.
E. all three of the international environment, the domestic environment, and the foreign environment.

44. Domestic business differs from international business in that a firm operating within the borders of one country

A. needs to be concerned solely with the domestic environment.
B. must be concerned with the international environment but not the foreign environment.
C. must be concerned with the foreign environment but not the international environment.
D. is not entirely free from the international and foreign environments.
E. cannot survive in a world that is globalizing.

45. Environment as used in the textbook is the forces surrounding and influencing the life and development of the firm and is classified as

A. controllable and uncontrollable.
B. controllable and uncontrollable as well as internal and external.
C. domestic and foreign.
D. internal and external.
E. domestic and foreign as well as controllable and uncontrollable.
46. Which of the following is not true about uncontrollable forces?

A. Management can influence them by heavy promotion of new products to change cultural attitudes.
B. They include competitive and distributive forces.
C. Management can influence them by lobbying.
D. Management has no direct control over them.
E. They include political forces and human resource activities.

47. Examples of the kinds of external forces listed in the text are each of the following except

A. competitive.
B. technological.
C. legal.
D. production.
E. labor.

48. Examples of the kinds of uncontrollable forces listed in the text are each of the following except

A. economic.
B. sociocultural.
C. marketing.
D. labor.
E. technological.

49. Examples of the kinds of external forces listed in the text are each of the following except

A. sociocultural.
B. labor.
C. human resources.
D. technological.
E. physical.
50. The forces over which the management does have some command are called

A. domestic.
B. external.
C. foreign.
D. internal.
E. uncontrollable.

51. Examples of the kinds of internal forces listed in the text are each of the following except

A. raw materials.
B. capital.
C. finance.
D. labor.
E. marketing.

52. Examples of the kinds of internal forces listed in the text are each of the following except

A. human resources.
B. capital.
C. taxation.
D. labor.
E. production.

53. Examples of the kinds of internal forces listed in the text are each of the following except

A. human resources.
B. finance.
C. raw materials.
D. labor.
E. natural resources.
54. The domestic environment is composed of all the uncontrollable forces originating in the _______ that surround and influence the life and development of the firm.

A. international arena  
B. host nation  
C. home country  
D. foreign country  
E. adjoining nations

55. The foreign environment is composed of all the uncontrollable forces originating _______ that surround and influence the life and development of the firm.

A. in the host country  
B. in the home country  
C. outside the host country  
D. outside the home country  
E. globally

56. Foreign environmental forces often operate differently than domestic environmental forces because

A. they are uncontrollable.  
B. force values are different.  
C. changes are readily assessed.  
D. they are unable to be observed.  
E. they are unrelated to each other.
57. The kinds of forces in the foreign environment are ________ those in the domestic environment except that they occur in foreign nations.

A. different from  
B. the same as  
C. less than  
D. more stringent than  
E. the opposite of

58. According to the text, the international environment consists of which of the following interactions?

A. The domestic environmental forces and global environmental forces. 
B. The foreign uncontrollable forces and the domestic uncontrollable forces. 
C. The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of two countries when an affiliate in one country does business in another country. 
D. The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of all other countries. 
E. All interactions outside the home country.

59. Decision making in the international environment is ________ it is in a purely domestic environment.

A. less complex than  
B. less demanding than  
C. more complex than  
D. about the same as  
E. exactly the same as
60. According to the text, personnel working in a foreign subsidiary are working in the international environment

A. if they work and live in the foreign subsidiary's country.
B. if they are responsible for the subsidiary's exports.
C. if they are responsible for the management of the foreign subsidiary.
D. if they are responsible for manufacturing activities within the foreign subsidiary.
E. if they are of a different race or religion than what is most common in the foreign subsidiary's country.

61. According to the text, personnel working in a foreign subsidiary are not working in the international environment

A. if they work and live in the foreign subsidiary's country.
B. if they are responsible for the subsidiary's exports.
C. if they are the sales manager responsible for selling product in the home country and the foreign subsidiary's nation.
D. if they are responsible for manufacturing activities within the foreign subsidiary, including purchasing inputs from another country.
E. if they manage workers in another country.

62. Unconscious reference to one's own cultural values when judging behavioral actions of others in a new and different environment is called

A. self-reference culture.
B. self-reference values.
C. self-reference criterion.
D. self-reference customs.
E. self-reference environment.
63. Historically, international business

A. is relatively new.
B. existed before the time of Christ.
C. began in China.
D. was a result of the rise of the Ottoman Empire.
E. had limited impact beyond its economic effects.

64. International business really began

A. with the East India Company chartered in 1600.
B. when Singer Sewing Machine put up a factory in Scotland in 1868.
C. before the time of Christ.
D. when Colt Fire Arms set up a plant in England.
E. when the Ottoman Empire was established.

65. ________ was the world’s leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840.

A. The United States
B. Germany
C. India
D. France
E. China

66. The rise of the Ottoman Empire before 1300

A. eliminated trade between Europe and Asia.
B. reduced the cost of Asian trade for Europeans.
C. reduced the cost of European trade for Asians.
D. raised the cost of Asian trade for Americans.
E. promoted a search for sea routes from Europe to Asia.
67. The 17th and 18th centuries have frequently been termed the age of mercantilism because

A. the merchant class was created during this time.
B. the Americas were discovered.
C. business became more important than politics.
D. national power depended on the sponsorship and control of merchant capital.
E. free trade replaced trade controlled by national governments.

68. Which of the following statements is not true?

A. The first multinational company, Singer Sewing Machine, built a factory in Scotland in 1868.
B. By 1914, at least 37 U.S. companies had production facilities in two or more overseas locations.
C. In the 1920s, all cars sold in Japan were made in the United States.
D. Friedrich Bayer purchased an interest in a New York plant in 1865.
E. The level of intracompany trade of multinationals in 1930, as a percentage of total world trade, may have exceeded the proportion at the end of the 20th century.

69. Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world’s economic center of gravity from

A. the United States to South America.
B. the Americas and Europe to Asia.
C. Europe and Asia to Africa.
D. China to India.
E. East Asia to South America.
70. UNCTAD, an agency of the United Nations, estimates there are _______ transnational corporations with international production activities.

A. 5,500  
B. 12,000  
C. 82,000  
D. 120,000  
E. more than 800,000

71. Which of the following is not true regarding transnational corporations?

A. They employ more than 78 million people.  
B. They account for approximately 50 percent of total global output.  
C. They account for approximately two-thirds of world trade.  
D. They have approximately 810,000 foreign affiliates.  
E. The sales of their foreign affiliates have grown about 700 percent in the past 20 years.

72. Which of the following is not true regarding state-owned transnational corporations?

A. There is an estimated minimum of 550 state-owned transnationals.  
B. State-owned transnationals are from both developed and developing countries.  
C. They have over $2 trillion in assets.  
D. They have more than 15,000 foreign affiliates.  
E. They account for more than 11 percent of all transnational corporations.
73. Due to the expanding importance of foreign-owned firms in local economies, host governments have made their policies toward these companies

A. more strict.
B. more liberal.
C. harsher.
D. more confronting.
E. inflexible.

74. When nations and corporations are ranked by GNI and total sales, respectively, for 2013 data, how many of the top 100 on the list are corporations?

A. 23
B. 32
C. 41
D. 49
E. 57

75. Foreign subsidiaries must obey the local laws. If they don't, they are subject to

A. legal action by the United Nations.
B. legal action by the host country and the country of the parent company.
C. seizure by the host government.
D. cancellation by the parent company of its right to do business in the host country.
E. seizure by the company's home country government.
76. Which of the following is not true regarding foreign direct investment?

A. The world stock of outward FDI was $26.3 trillion at the beginning of 2014.
B. FDI refers to direct investments in a foreign country, at a level sufficient to obtain significant management control.
C. FDI includes foreign investment in stock markets.
D. FDI calculations include direct investments in equipment, structures, and organizations in a foreign country.
E. FDI does not include exports.

77. The worldwide stock of outward FDI is estimated to have increased _______ between 1990 and 2014.

A. threefold
B. fivefold
C. ninefold
D. thirteenfold
E. seventeenfold

78. _______ refers to the transportation of any domestic good or service to a destination outside a country or region.

A. Importing
B. Foreign direct investment
C. Exporting
D. International business
E. International logistics
79. _____ refers to the transportation of any domestic good or service to a destination inside a country or region, from a foreign origination point.

A. Importing
B. Foreign direct investment
C. Exporting
D. International business
E. International logistics

80. The level of merchandise exports worldwide were _____ larger in 2013 than they were in 1980.

A. four times
B. nearly six times
C. nearly eight times
D. nearly 10 times
E. 23 percent

81. The level of service exports worldwide increased about _____ between 1980 and 2013.

A. fourfold
B. sixfold
C. tenfold
D. twelvefold
E. seventeenfold
82. Which of the following are identified in the text as being one of the five major drivers of globalization?

A. Political  
B. Social  
C. Cultural  
D. Economic  
E. Productive

83. Which of the following are identified in the text as being one of the five major drivers of globalization?

A. Monetary  
B. Technological  
C. Cultural  
D. Market  
E. Communications

84. The major globalization drivers include all of the following except

A. political.  
B. social.  
C. technological.  
D. market.  
E. competitive.
85. According to the text, political drivers of globalization include

A. preferential trading agreements.
B. expanded barriers to trade and foreign investment.
C. nationalization of much of the industry in formerly communist nations.
D. limitations on foreign direct investment.
E. import barriers.

86. The trend toward unification and socialization of the global community is illustrated by which of the following?

A. Progressive increases in barriers to foreign investment by most governments.
B. Preferential trading arrangements that group several nations into a single market.
C. Increased public ownership of much of the industry in formerly communist nations.
D. Expanded barriers to trade by most governments.
E. Restriction of access by foreign firms to domestic economies.

87. According to the text, technological drivers for globalization include all of the following except

A. advances in computers and communication technology that permit increased flow of ideas and information across borders.
B. global communication networks that enable production to be coordinated worldwide.
C. the Internet, which limits business between buyers and sellers who are physically separated.
D. videoconferencing that allows sellers to demonstrate products to prospective buyers without the need for travel.
E. computer-based communications that allow virtual integration.
88. When a government sees that local industry is threatened by imports, it can threaten to erect import barriers to stop or reduce these imports. This is an example of a ______ driver of international business activity.

A. technological  
B. market  
C. political  
D. cost  
E. competitive

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

A. political technological  
B. market  
C. technological  
D. cost  
E. competitive

90. When a supplier to an original equipment manufacturer (e.g., a battery manufacturer supplying an automobile producer) follows their large customer to a new country, this is an example of a ______ driver of international business activity.

A. political technological  
B. market  
C. technological  
D. cost  
E. competitive
91. Which of the following is not linked to the market driver of international business activity?

A. Searching for markets with rising gross domestic product per capita and population growth.
B. Identifying economies where one's company is not doing business but which are growing much faster than their own home country.
C. A manufacturing company that follows its customers to foreign markets in order to be able to supply them.
D. A company that moves its manufacturing operations to another country because labor costs are lower.
E. An accounting company that establishes foreign operations in markets where their principal accounts are located.

92. Which of the following is not linked to the cost driver of international business activity?

A. A manufacturing company that follows its customers to foreign markets to be able to supply them.
B. A company that goes abroad through exporting to enhance production economies of scale.
C. A company that goes abroad through exporting to spread R&D costs across a larger number of units of goods sold.
D. A company that moves its manufacturing operations to another country that offers an export processing zone that has no taxation for products that are processed and re-exported.
E. An accounting company that moves some of its tax preparation work from the United States to India to utilize workers who have English language skill but a lower salary range. This establishes foreign operations in markets where their principal accounts are located.
93. Which of the following is the best example of the competitive driver of international business activity?

A. A manufacturing company that lobbies its home country government for protection against imports.
B. A company that expands its local manufacturing facility in a foreign country in order to qualify for tax rebates.
C. A company that searches for markets with rising gross domestic product per capita and population growth.
D. A company that enters a foreign competitor's home market to distract them.
E. A company that hires a host country manager to satisfy legislation that limits the number of expatriates that can be employed.

94. According to the text, the tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is called

A. internationalization.
B. international business.
C. economic globalization.
D. multinationalization.
E. global integration.

95. According to the text, the tendency toward an international integration of goods, technology, information, labor and capital, or the process of making this integration happen, is termed

A. international business.
B. economic globalization.
C. foreign direct investment.
D. socialism.
E. global capitalism.
96. The term *globalization* was first coined by Theodore Levitt in a *Harvard Business Review* article in which he maintained that

A. new technologies were creating opportunities for creating mass customization of products.
B. governments would be threatened by the emergence of global companies and would limit their development.
C. the future belonged to global companies that sold the same things the same way, everywhere.
D. increased differentiation of products would mean that costs of production would become a steadily declining proportion of the selling price.
E. globalization would eliminate differences among consumers and markets, worldwide.

97. The argument that free trade is the best strategy for advancing the world’s economic development

A. is one of the most contentious issues associated with economic globalization.
B. has received very mixed support in research studies.
C. is a proposition with which almost all economists agree.
D. is the basis for much protectionist legislation in emerging markets.
E. was a fundamental element underlying mercantilism in the 16th century.

98. Data have shown a clear and definitive link between

A. protectionist legislation and enhanced economic welfare of a country.
B. liberalization of trade and reduced disparity in personal income.
C. government subsidies and the development of globally competitive industries.
D. liberalization of trade and economic growth.
E. liberalization of trade and the elimination of poverty.
99. Which of the following was not presented as data in support of liberalization of trade?

A. More people have become better off at a faster pace in the past 60 years than at any other time in history.
B. There has been a dramatic decline in both the proportion and the absolute number of destitute people in the world, with those living in extreme poverty falling by half between 1990 and 2010.
C. Life expectancy in the developing world has nearly doubled since World War II.
D. Citizens from more globally integrated countries have lower levels of civil liberties but greater economic prosperity.
E. The proportion of children in the labor force has fallen by approximately two-thirds since 1960.

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

A. creates more and better jobs.
B. benefits all nations and workers.
C. does not cause the loss of high-paying jobs.
D. preserves the individuality of different cultures.
E. is an unattainable goal of idealists.

101. Which of the following is not an argument presented in support of opponents of globalization?

A. The promise of export-led growth has failed to materialize in several places.
B. Globalization efforts in sub-Saharan Africa have produced only limited benefits, and the number of people there who are living in extreme poverty rose 43 percent between 1990 and 2010.
C. There is a huge gap between the world’s rich and poor and that globalization has caused that gap to increase.
D. Prosperity generated by globalization results in improved environmental and health standards.
E. Globalization encourages jobs to migrate to developing nations where there are lower standards, and thus lower costs.
102. Which of the following is an argument presented in support of opponents of globalization?

A. A report by the Labor Secretariat for the North American Free Trade Agreement (NAFTA) reported that more than half of firms surveyed used threats to close U.S. operations as a tool to fight union-organizing efforts.
B. Although labor standards in developing countries are usually lower than in industrialized countries, they are rising.
C. Multinationals investing in host nations pay higher wages, create new jobs at a faster rate, and spend more on R&D than do local firms.
D. Developing countries may feel that lower-cost labor constitutes their competitive advantage and that if they are forced to implement more stringent labor standards, it may damage their prospects for improved economic development.
E. The economic growth fostered by globalization can help generate and distribute additional resources for protecting the environment.

103. According to opponents of the globalization of trade and investment

A. free trade benefits all nations and workers.
B. globalization has caused a dramatic decline in both the proportion and the absolute number of destitute people in the world.
C. globalization has contributed to a decline in environmental and health conditions.
D. globalization enhances preservation of the uniqueness of different cultures.
E. citizens from more globally integrated countries have lower levels of civil liberties and lower economic prosperity.

104. According to opponents of the globalization of trade and investment

A. globalization has contributed to an improvement in environmental and health conditions.
B. globalization benefits all nations and workers.
C. globalization has produced uneven results across nations and people.
D. citizens from more globally integrated countries have lower levels of civil liberties and lower economic prosperity.
E. globalization has increased the proportion of children in the labor force worldwide.
105. According to opponents of the globalization of trade and investment

   A. more globally integrated countries spend more on public education, especially in developing countries.
   B. globalization has had harmful effects on labor and labor standards.
   C. countries that have rejected globalization are among the most advanced nations of the world.
   D. globalization has increased the proportion of people in developing countries who live on $1.25 per day or less.
   E. globalization has contributed to an improvement in environmental and health conditions.

**Fill in the Blank Questions**

106. PwC, a professional services company, predicts the next decade will see an increase of _____ percent in the number of workers accepting global assignments.

________________________________________

107. Research has shown that CEOs strongly believed (1) an international orientation should be an important part of college business education; (2) international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas; and (3) the importance indicated in the preceding points was magnified for companies that anticipated _____ importance of international activities in the next five years.

________________________________________

108. Survey data from CEOs of the 162 largest firms on the Fortune’s list of the 500 largest U.S. corporations revealed that the CEOs strongly believed that international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to _____ positions.

________________________________________
109. The operations of a company outside its home or domestic market are known as ______ business.

________________________________________

110. A(n) ______ company is a company with operations in multiple nations.

________________________________________

111. International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments: domestic, ______, and international.

________________________________________

112. As used in the text, the term ________ means all the forces influencing the life and development of the firm.

________________________________________

113. The external forces are commonly called ______ forces, which are the external forces that management has no direct control over, although it can exert influence.

________________________________________

114. According to the text, environmental elements over which management does not have control—including competitive, labor, and financial forces—are called _____ forces.

________________________________________

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

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

________________________________________

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

________________________________________

118. The forces in the foreign environment are ______ as those in the domestic environment except that they occur outside the firm's home country.

________________________________________

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

________________________________________

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

________________________________________

121. A classic example of diametrically opposed _____-force values and the bewilderment they create for multinational managers is the sanctions placed on Russia and selected Russian companies in response to Russia's actions in the Ukraine in 2014.

________________________________________

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

________________________________________
123. Those who work in the international environment find that decision making is _____ complex than it is in a purely domestic environment.

________________________________________

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

________________________________________

125. The _____ is probably the biggest cause of international business blunders.

________________________________________

126. In international business, the international manager has three choices in deciding what to do with a concept or a technique employed in domestic operations: (1) transfer it intact, (2) adapt it to local conditions, or (3) ________.

________________________________________

127. China was the world’s leading manufacturing country for about 1,800 years, until it was replaced by ____ about 1840.

________________________________________

128. The _____ Empire’s powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.

________________________________________

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

________________________________________
130. UNCTAD, the United Nations agency in charge of all matters relating to FDI and international corporations, estimates there are 82,000 transnational corporations with international production activities and that these transnationals account for approximately _____ percent of total global output.

131. Although they represent fewer than 1 percent of all transnational corporations, ______ transnationals account for more than 11 percent of the world’s foreign direct investment.

132. The expanding importance of foreign-owned firms in local economies has been viewed by a number of governments as a threat to their autonomy. However, there has been a marked ______ of government policies and attitudes toward foreign investment in both developed and developing nations in recent years.

133.______ refers to direct investments in equipment, structures, and organizations in a foreign country at a level sufficient to obtain significant management control.

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

135.______ is the transportation of any good or service into a country or region, from a foreign origination point.
136. Although merchandise exports have grown faster than world output in nearly every year since 1980, the level of _______ exports worldwide has grown even more rapidly during this time.

______________________________

137. According to the text, there are ____ major kinds of drivers, all based on changes that are leading international firms to the globalization of their operations.

______________________________

138. According to the text, preferential trading agreements are examples of ______ drivers of globalization.

______________________________

139. Two political drivers contributing to the globalization of business operations, as mentioned in the text, include: (1) the progressive ______ of barriers to trade and foreign investment by most governments, which is hastening the opening of new markets by international firms that are both exporting to them and building production facilities in them, and (2) the privatization of much of the industry in formerly communist nations and the opening of their economies to global competition.

______________________________

140. Advances in computers, including the Internet and network computing, are examples of _____ drivers contributing to the globalization of business operations.

______________________________

141. The United States has only about _____ percent of the world's population, so the vast proportion of most companies' potential customers are located elsewhere.

______________________________
142. A _____ driving force for globalization is the fact that companies are defending their home markets from competitors by entering the competitors’ home markets to distract them.

______________________________

143. That _____ trade is the best strategy for advancing the world’s economic development is one of the few propositions on which almost all economists agree.

______________________________

144. The tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is referred to as ________.

______________________________

145. A one percentage point increase in _____ on average reduces poverty by more than 1.5 percent each year.

______________________________

146. Within a generation’s time, there has been an enormous improvement in the human condition, and every one of the development success stories was based on export-led growth facilitated by the _______ of trade.

______________________________

147. Expanded trade is also linked with the creation of more and _______ jobs.

______________________________

148. Many opponents of globalization have claimed that there is a huge gap between the world’s rich and poor and that _____ has caused that gap to increase.

______________________________
149. Opponents of free trade point out that globalization has contributed to a _____ in environmental and health conditions.

________________________________________

150. The term “Bottom of the ______,” popularized by the late Professor C. K. Prahalad, refers to the approximately 3 billion of the world’s poorest inhabitants who survive on less than $2 per day.

________________________________________

Essay Questions

151. Discuss the three environments in which an international company operates.

152. Identify and discuss the five major kinds of drivers that are leading international firms to the globalization of their operations.
153. Discuss the arguments supporting and opposing globalization of trade and investment.
Module 01 The Challenging Context of International Business Answer Key

True / False Questions

1. All managers need to have a basic knowledge of international business.

**TRUE**

Companies need employees with diversity of thought and diversity of values, reflecting the increasing importance that globalization has for companies.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

2. International experience is valuable for mid-career individuals who aspire to higher positions and greater responsibility, but not for students seeking their first job beyond university.

**FALSE**

International experience is valuable for new hires just out of university, not only for mid-career individuals who aspire to higher positions and greater responsibility. Research shows that international business skills and knowledge are important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
3. Only a company that has foreign operations needs to be aware of what is occurring globally in its markets and in its industry.

**FALSE**

Even companies with no foreign operations of any kind need their managers to embody a global perspective, because it will help them not only to be alert for both sales and sourcing opportunities in foreign markets but also to be watchful for new foreign competitors preparing to invade their domestic market.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

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

**TRUE**

Foreign business denotes the operations of a company outside its home or domestic market; many refer to this as business conducted within a foreign country.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
5. Foreign business refers to the operations of a company between its home market and markets elsewhere in the world.

**FALSE**

Foreign business denotes the operations of a company outside its home or domestic market; many refer to this as business conducted within a foreign country. The business does not need to be between a company's home market and markets elsewhere to be foreign business. It could just be activity outside its home market.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

6. An international company (IC) is a company headquartered in another nation.

**FALSE**

An international company (IC) is a company with operations in multiple nations.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
7. International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and global.

**TRUE**

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and international.

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 2 Medium  

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

8. As used in the text, the term *environment* means all the forces influencing the life and development of the firm.

**TRUE**

As used in the text, the term *environment* means all the forces influencing the life and development of the firm. The forces themselves can be classified as external or internal.

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?
9. The external forces are commonly called *uncontrollable forces*, which are the external forces that management has no direct control over, although it can exert influence.

**TRUE**

The external forces are commonly called *uncontrollable forces*, which are the external forces that management has no direct control over, although it can exert influence.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

10. The internal forces, such as the factors of production and the activities of the organization, are called the *uncontrollable forces*.

**FALSE**

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
11. The domestic environment is all the controllable forces originating in the home country that surround and influence the life and development of the firm.

**FALSE**

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

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

**FALSE**

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
13. When an affiliate in one country does business with customers in another, it is operating in the foreign environment.

**FALSE**

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

14. Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

**TRUE**

Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
15. Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the self-reference criterion.

**TRUE**

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

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

16. While international business as a discipline is relatively new, international business as a business practice is not.

**TRUE**

While international business as a discipline is relatively new, international business as a business practice is not. Merchants were sending their representatives abroad to sell their goods well before the time of Christ.

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-02 Describe the history and future of international business.  
Topic: What is Globalization?
17. Britain was the world’s leading manufacturing country for about 1,800 years, until it was replaced by the United States at the end of the 1800s.

**FALSE**

China was the world’s leading manufacturing country for about 1,800 years, until it was replaced by Britain about 1840.

18. The Ottoman Empire’s powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.

**TRUE**

The Ottoman Empire’s powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.
19. International trade has historically had a major influence on industry, agriculture, and the economy of nations, but not on public health or politics.

**FALSE**

The impact of the emerging international trading system was extensive. Politics, the arts, agriculture, industry, and other sectors of human life were profoundly influenced by the goods and ideas that came with trade. Public health was also affected. An interesting precursor to contemporary concerns about global health epidemics, such as severe acute respiratory syndrome (SARS) and Ebola, was international trade’s association with the spread of the plague, one of the worst natural disasters in history.

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 2 Medium  
Learning Objective: 01-02 Describe the history and future of international business.  
Topic: What is Globalization?

20. The 17th and 18th centuries have frequently been termed the *age of mercantilism* because the power of nations depended directly on the sponsorship and control of merchant capital, which expanded under the direct subsidization and protection of national governments.

**TRUE**

The 17th and 18th centuries have frequently been termed the *age of mercantilism* because the power of nations depended directly on the sponsorship and control of merchant capital, which expanded under the direct subsidization and protection of national governments.

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-02 Describe the history and future of international business.  
Topic: What is Globalization?
21. According to the text, the level of intracompany trade of multinationals in 1930, as a percentage of world trade, may have exceeded the proportion at the end of the 20th century.

**TRUE**

According to the text, the level of intracompany trade of multinationals in 1930, as a percentage of world trade, may have exceeded the proportion at the end of the 20th century.

22. Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world’s economic center of gravity from Europe and the Americas and back to Asia.

**TRUE**

Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world’s economic center of gravity from Europe and the Americas and back to Asia.
23. Transnational corporations account for approximately 25 percent of total global output and nearly 50 percent of world trade.

**FALSE**

Transnational corporations account for approximately two-thirds of world trade, not 50 percent.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 01-03 Discuss the dramatic internationalization of business.

Topic: The Changing Nature of the Global Economy

24. Although they represent less than 1 percent of all transnational corporations, state-owned transnationals account for more than 11 percent of the world's foreign direct investment.

**TRUE**

Although they represent less than 1 percent of all transnational corporations, state-owned transnationals account for more than 11 percent of the world's foreign direct investment.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 01-03 Discuss the dramatic internationalization of business.

Topic: The Changing Nature of the Global Economy
25. The five major kinds of drivers, all based on changes that are leading international firms to the globalization of their operations, include political, sociocultural, technological, market, and competitive drivers.

**FALSE**

The five major kinds of drivers, all based on changes that are leading international firms to the globalization of their operations, include political, technological, market, cost, and competitive drivers. Sociocultural drivers are not part of these identified forces.

**AACSB: Reflective Thinking**
**Accessibility: Keyboard Navigation**
**Blooms: Remember**
**Difficulty: 2 Medium**

*Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.***

**Topic: Drivers of Globalization**

26. That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree.

**TRUE**

That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree, not only because it is theoretically compelling but also because it has been demonstrated in practice.

**AACSB: Reflective Thinking**
**Accessibility: Keyboard Navigation**
**Blooms: Remember**
**Difficulty: 1 Easy**

*Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.***

**Topic: What is Globalization?**
27. Supporters of globalization generally argue that it is the best strategy for advancing the world’s economic development.

**TRUE**

Supporters of globalization generally argue that it is the best strategy for advancing the world’s economic development.

**AACSB: Reflective Thinking**

**Accessibility: Keyboard Navigation**

**Blooms: Remember**

**Difficulty: 1 Easy**

**Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.**

**Topic: What is Globalization?**

28. Expanded international trade is linked with the creation of more and better jobs.

**TRUE**

Expanded international trade is linked with the creation of more and better jobs.

**AACSB: Reflective Thinking**

**Accessibility: Keyboard Navigation**

**Blooms: Remember**

**Difficulty: 1 Easy**

**Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.**

**Topic: What is Globalization?**

29. Globalization has produced uneven results across nations and people.

**TRUE**

Globalization has produced uneven results across nations and people.

**AACSB: Reflective Thinking**

**Accessibility: Keyboard Navigation**

**Blooms: Remember**

**Difficulty: 1 Easy**

**Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.**

**Topic: What is Globalization?**
30. Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.

**TRUE**

Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.

Topic: What is Globalization?

**Multiple Choice Questions**
A survey of CEOs of the 162 largest firms on *Fortune*’s list of the 500 largest American corporations found that the CEOs strongly believed that

A. all business students should major in international business.

B. an international orientation should be an important part of college business education, but only for those students planning to work internationally.

C. international business skills and knowledge were important for promotion to senior executive positions but not for appointment to entry-level positions.

D. the importance of international business skills and knowledge for promotion to senior executive positions was higher for companies anticipating an increased level of importance of international activities in the next five years.

E. foreign language proficiency should be required of all business students.

Surveying CEOs of the 162 largest firms on *Fortune*’s list of the 500 largest U.S. corporations, we found that the CEOs strongly believed (1) an international orientation should be an important part of a college business education; (2) international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas; and (3) the importance indicated in the preceding points was magnified for companies that anticipated increasing importance of international activities in the next five years.
32. A survey of CEOs of the 162 largest firms on *Fortune's* list of the 500 largest American corporations found that the CEOs strongly believed that

A. all business students should major in international business.
B. an international orientation should be an important part of a college business education, but only for those students planning to work internationally.
C. international business skills and knowledge were important for appointment to entry-level positions.
D. international business skills and knowledge were critical for promotion to senior executive positions in all companies.
E. foreign language proficiency should be required of all business students.

Surveying CEOs of the 162 largest firms on *Fortune's* list of the 500 largest U.S. corporations, we found that the CEOs strongly believed (1) an international orientation should be an important part of a college business education; (2) international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas; and (3) the importance indicated in the preceding points was magnified for companies that anticipated increasing importance of international activities in the next five years.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
33. A survey of CEOs of the 162 largest firms on Fortune's list of the 500 largest American corporations found that the CEOs strongly believed all of the following except

A. an international orientation should be an important part of a college business education.
B. international business skills and knowledge were important for promotion to senior executive positions.
C. international business skills and knowledge were important for appointment to entry-level positions.
D. the importance of international business skills and knowledge was magnified for companies that anticipated increasing importance of international activities in the next five years.
E. foreign language proficiency was essential for promotion to senior executive positions.

Surveying CEOs of the 162 largest firms on Fortune's list of the 500 largest U.S. corporations, we found that the CEOs strongly believed (1) an international orientation should be an important part of a college business education; (2) international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas; and (3) the importance indicated in the preceding points was magnified for companies that anticipated increasing importance of international activities in the next five years.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
34. A survey of CEOs of the 162 largest firms on *Fortune*'s list of the 500 largest American corporations found that for developing international skills, respondents believed that a number of courses in the international business curriculum are relevant to their companies, including courses on topics related to:

A. international legal and political issues.
B. introduction to international business.
C. international strategy and competitiveness.
D. international marketing.
E. foreign language.

Surveying CEOs of the 162 largest firms on *Fortune*'s list of the 500 largest U.S. corporations, the CEO respondents believed that a number of courses in the international business curriculum are relevant to their companies. In addition to an introduction to international business course, the internationally oriented courses viewed as being the most important for early career positions included topics related to (1) international strategy and competitiveness, (2) international legal and political issues, (3) international negotiation, and (4) foreign language.
35. As mentioned in the text, managers in companies with no foreign operations of any kind still need a global perspective, for all of the following reasons except

A. it will help them to be watchful for new foreign competitors preparing to invade their domestic market.
B. it will help them to be alert for sales and sourcing opportunities in foreign markets.
C. it will enable them to be effective leaders across different cultures and political systems.
D. it will help them to manage diversity within teams.
E. foreign experience reflects independence, resourcefulness, and entrepreneurship.

Do managers of companies with no foreign operations of any kind need a global perspective? They do indeed, because it will help them not only to be alert for both sales and sourcing opportunities in foreign markets but also to be watchful for new foreign competitors preparing to invade their domestic market. International experience can increase your respect for other cultures, teach you to deal with very different styles of leadership, and enhance your ability to manage diversity within teams. In addition, according to recruiters, foreign experience reflects independence, resourcefulness, and entrepreneurship. People who work and support themselves overseas tend to be inquisitive, adaptive, and flexible—valuable qualities in today's work environment. International experience is an important variable in explaining better decision making and strategic choices. However, merely having international experience will not guarantee that a manager can be an effective leader across different cultures and political systems. There is too much variance across these contexts, and across the personality, skills, and experience of individual managers, to guarantee such an outcome.
36. According to the text, you can improve your chances for obtaining an overseas post by doing all of the following except

A. taking classes in the area of international business.
B. going abroad to study.
C. going abroad to work as a teacher or bartender.
D. getting a well-paid domestic internship.
E. volunteering in community development activities in another country.

You can take classes in the area of international business, perhaps leading to a degree in an international business-related field. In addition, even while you are in school or shortly after graduation, consider going abroad to study, to work (whether as a business intern, as a teacher, or even in such positions as bartender or child care provider), or to volunteer in community development activities. The Institute of International Education found that 60 percent of respondents’ companies sought out and rewarded candidates with study abroad experience, so this experience may help you to land a job that involves international business activities.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
According to the text, you can improve your chances for obtaining an overseas post by doing all of the following except

A. taking advanced classes in accounting or information systems.
B. making your boss aware of your interest in international business.
C. trying to meet people who work with your company's foreign subsidiaries.
D. working in another country as a child care provider.
E. taking classes in the area of international business.

You can take classes in the area of international business, perhaps leading to a degree in an international business-related field. In addition, even while you are in school or shortly after graduation, consider going abroad to study, to work (whether as a business intern, as a teacher, or even in such positions as bartender or child care provider), or to volunteer in community development activities. The Institute of International Education found that 60 percent of respondents' companies sought out and rewarded candidates with study abroad experience, so this experience may help you to land a job that involves international business activities. If you already have a job, you can enhance your opportunities for international experience by making your boss and the human resource management department aware of your interest and the fact that you have studied international business. Look for opportunities to remind them that you continue to be interested (performance review is a good time). Try to meet people who work with the company's foreign subsidiaries as well as with visitors from overseas. As evidence of your strong interest in foreign employment, take additional international business courses and study foreign languages. Make sure that people in your company know what you are doing.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
38. The increased internationalization of business requires _______ to have a basic knowledge of international business.

A. all managers  
B. managers of multinationals  
C. managers of transnationals  
D. managers of purely domestic operations  
E. marketing managers

All managers need to have a basic knowledge of international business to be able to meet the challenge of global competition. Acquiring this knowledge consists, in part, of learning the special terminology.

39. An international business

A. is a business whose activities involve crossing national borders.  
B. denotes the domestic operations within a foreign country.  
C. is an organization with multicountry affiliates.  
D. is an organization that attempts to standardize operations worldwide.  
E. is engaged in international trade.

International business is business that is carried out across national borders. This definition includes not only international trade and foreign manufacturing but also the growing service industry in areas such as transportation, tourism, advertising, consulting, construction, retailing, wholesaling, and mass communications.
Foreign business denotes

A. a business whose activities involve crossing national borders.
B. business conducted within a foreign country.
C. an organization with multicountry affiliates.
D. an organization that attempts to standardize operations worldwide.
E. a business with operations in multiple nations.

Foreign business denotes the operations of a company outside its home or domestic market; many refer to this as business conducted within a foreign country. This term sometimes is used interchangeably with international business by some writers, although that will not be our practice.

According to the text, an international business is

A. a company that exports.
B. a company that has foreign direct investment.
C. a company with both exports and foreign direct investment.
D. a company with operations in multiple nations.
E. a company from a foreign country.

As used in this text, an international business is a company with operations in multiple nations. These operations do not need to involve exporting or foreign direct investment, however.
42. International business differs from domestic business in that a firm operating across borders must deal with which of the following additional environmental forces?

A. Geographic  
B. Foreign  
C. Political  
D. Competitive  
E. Sociocultural

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and international. In contrast, a firm whose business activities are carried out within the borders of one country needs to be concerned essentially with only the domestic environment.
International business differs from domestic business in that a firm operating across borders must deal with

A. the foreign environment and the international environment.
B. two of the international environment, the domestic environment, and the global environment.
C. all three of the domestic environment, the foreign environment, and the global environment.
D. the international environment.
E. all three of the international environment, the domestic environment, and the foreign environment.

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and international. In contrast, a firm whose business activities are carried out within the borders of one country needs to be concerned essentially with only the domestic environment.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understana
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
44. Domestic business differs from international business in that a firm operating within the borders of one country

A. needs to be concerned solely with the domestic environment.
B. must be concerned with the international environment but not the foreign environment.
C. must be concerned with the foreign environment but not the international environment.
D. is not entirely free from the international and foreign environments.
E. cannot survive in a world that is globalizing.

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and international. In contrast, a firm whose business activities are carried out within the borders of one country needs to be concerned essentially with only the domestic environment. However, no domestic firm is entirely free from foreign or international environmental forces because the possibility of having to face competition from foreign imports or from foreign competitors that set up operations in its own market is always present.
45. *Environment* as used in the textbook is the forces surrounding and influencing the life and development of the firm and is classified as

A. controllable and uncontrollable.
B. controllable and uncontrollable as well as internal and external.
C. domestic and foreign.
D. internal and external.
E. domestic and foreign as well as controllable and uncontrollable.

The term *environment* as used here means all the forces influencing the life and development of the firm. The forces themselves can be classified as *external* or *internal*. The external forces are commonly called *uncontrollable forces*, which are the external forces that management has no direct control over, although it can exert influence. The internal forces over which management does have some control and that management administers to adapt to changes in the uncontrollable forces are called the *controllable forces*.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

*Learning Objective: 01-01 Show how international business differs from domestic business.*

*Topic: Why Study International Business?*
46. Which of the following is not true about uncontrollable forces?

A. Management can influence them by heavy promotion of new products to change cultural attitudes.
B. They include competitive and distributive forces.
C. Management can influence them by lobbying.
D. Management has no direct control over them.
E. They include political forces and human resource activities.

Uncontrollable forces are the external forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, distributive, and political forces, among others, but do not include activities of the organization such as human resources, finance, or production.
47. Examples of the kinds of external forces listed in the text are each of the following except

A. competitive.
B. technological.
C. legal.
D. production.
E. labor.

External forces are the uncontrollable forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, and political forces, among others, but do not include activities of the organization such as human resources, finance, or production.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.

Topic: Why Study International Business?
48. Examples of the kinds of uncontrollable forces listed in the text are each of the following except

A. economic.
B. sociocultural.
C. marketing.
D. labor.
E. technological.

Uncontrollable forces are the external forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, and political forces, among others, but do not include activities of the organization such as human resources, finance, marketing, or production.
49. Examples of the kinds of external forces listed in the text are each of the following except

A. sociocultural.
B. labor.
C. human resources.
D. technological.
E. physical.

External forces are the uncontrollable forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, and political forces, among others, but do not include activities of the organization such as human resources, finance, or production.

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Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

50. The forces over which the management does have some command are called

A. domestic.
B. external.
C. foreign.
D. internal.
E. uncontrollable.

As stated in the text.

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 01-02 Describe the history and future of international business.
51. Examples of the kinds of internal forces listed in the text are each of the following except

A. raw materials.
B. capital.
C. finance.
D. labor.
E. marketing.

External forces are the uncontrollable forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, and political forces, among others, but do not include factors of production such as capital, raw materials, and people, or activities of the organization such as human resources, finance, marketing, or production.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
52. Examples of the kinds of internal forces listed in the text are each of the following except

A. human resources.
B. capital.
C. taxation.
D. labor.
E. production.

External forces are the uncontrollable forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, financial (including taxation), and political forces, among others, but do not include factors of production such as capital, raw materials, and people, or activities of the organization such as human resources, finance, marketing, or production.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
53. Examples of the kinds of internal forces listed in the text are each of the following except

A. human resources.
B. finance.
C. raw materials.
D. labor.
E. natural resources.

External forces are the uncontrollable forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, financial, physical (including natural resources), and political forces, among others, but do not include factors of production such as capital, raw materials, and people, or activities of the organization such as human resources, finance, marketing, or production.
54. The domestic environment is composed of all the uncontrollable forces originating in the _______ that surround and influence the life and development of the firm.

A. international arena  
B. host nation  
C. home country  
D. foreign country  
E. adjoining nations

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

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Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

55. The foreign environment is composed of all the uncontrollable forces originating _______ that surround and influence the life and development of the firm.

A. in the host country  
B. in the home country  
C. outside the host country  
D. outside the home country  
E. globally

The foreign environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm. The forces in the foreign environment are the same as those in the domestic environment except that they occur outside the firm's home country.

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Accessibility: Keyboard Navigation  
Blooms: Understand
56. Foreign environmental forces often operate differently than domestic environmental forces because

A. they are uncontrollable.
B. force values are different.
C. changes are readily assessed.
D. they are unable to be observed.
E. they are unrelated to each other.

Even though the kinds of forces in the two environments are identical, their values often differ widely, and at times—though not always—they are completely opposed to each other. Another problem with foreign forces is that they are frequently difficult to assess. As you study the modules in this course, it will be evident that the forces are often interrelated. This in itself is not a novelty, because the same situation confronts a domestic manager. On the foreign scene, however, the kinds of interaction that occur and the outcomes may differ.
57. The kinds of forces in the foreign environment are ________ those in the domestic environment except that they occur in foreign nations.

A. different from
B. the same as
C. less than
D. more stringent than
E. the opposite of

The forces in the foreign environment are the same as those in the domestic environment except that they occur outside the firm's home country. However, they operate differently for several reasons, including those provided here.
58. According to the text, the international environment consists of which of the following interactions?

A. The domestic environmental forces and global environmental forces.
B. The foreign uncontrollable forces and the domestic uncontrollable forces.
C. The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of two countries when an affiliate in one country does business in another country.
D. The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of all other countries.
E. All interactions outside the home country.

The international environment consists of the interactions between the domestic environmental forces and the foreign environmental forces, as well as interactions between the foreign environmental forces of two countries, such as when an affiliate in one country does business with customers in another.
59. Decision making in the international environment is ________ it is in a purely domestic environment.

A. less complex than  
B. less demanding than  
C. more complex than  
D. about the same as  
E. exactly the same as

Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

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Blooms: Understand  
Difficulty: 1 Easy

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?
60. According to the text, personnel working in a foreign subsidiary are working in the international environment

A. if they work and live in the foreign subsidiary's country.
B. if they are responsible for the subsidiary's exports.
C. if they are responsible for the management of the foreign subsidiary.
D. if they are responsible for manufacturing activities within the foreign subsidiary.
E. if they are of a different race or religion than what is most common in the foreign subsidiary's country.

Employees at the headquarters of an international company work in the international environment if they work in any way with another nation, whereas those in a foreign subsidiary do not unless they too are engaged in international business through exporting or the management of other affiliates. In other words, a sales manager of the operations of the Chinese electronics firm Xiaomi does not work in the international environment if he or she sells cellular phones only in China.
61. According to the text, personnel working in a foreign subsidiary are not working in the international environment

A. if they work and live in the foreign subsidiary's country.
B. if they are responsible for the subsidiary's exports.
C. if they are the sales manager responsible for selling product in the home country and the foreign subsidiary's nation.
D. if they are responsible for manufacturing activities within the foreign subsidiary, including purchasing inputs from another country.
E. if they manage workers in another country.

Employees at the headquarters of an international company work in the international environment if they work in any way with another nation, whereas those in a foreign subsidiary do not unless they too are engaged in international business through exporting or the management of other affiliates. In other words, a sales manager of the operations of the Chinese electronics firm Xiaomi does not work in the international environment if he or she sells cellular phones only in China.

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Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
62. Unconscious reference to one’s own cultural values when judging behavioral actions of others in a new and different environment is called

A. self-reference culture.
B. self-reference values.
C. self-reference criterion.
D. self-reference customs.
E. self-reference environment.

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

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

63. Historically, international business

A. is relatively new.
B. existed before the time of Christ.
C. began in China.
D. was a result of the rise of the Ottoman Empire.
E. had limited impact beyond its economic effects.

While international business as a discipline is relatively new, as a business practice it is not. Well before the time of Christ, Phoenician and Greek merchants were sending representatives abroad to sell their goods.

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-02 Describe the history and future of international business.
64. International business really began

A. with the East India Company chartered in 1600.
B. when Singer Sewing Machine put up a factory in Scotland in 1868.
C. before the time of Christ.
D. when Colt Fire Arms set up a plant in England.
E. when the Ottoman Empire was established.

While international business as a discipline is relatively new, as a business practice it is not. Well before the time of Christ, Phoenician and Greek merchants were sending representatives abroad to sell their goods.

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Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Describe the history and future of international business.

65. ________ was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840.

A. The United States
B. Germany
C. India
D. France
E. China

China was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840.
66. The rise of the Ottoman Empire before 1300

A. eliminated trade between Europe and Asia.
B. reduced the cost of Asian trade for Europeans.
C. reduced the cost of European trade for Asians.
D. raised the cost of Asian trade for Americans.
E. promoted a search for sea routes from Europe to Asia.

The rise of the Ottoman Empire before 1300, ultimately spanning Europe, North Africa, and the Middle East, profoundly influenced the emerging trade routes for people, goods, money, animals, and microorganisms that spanned from England to China, across the Mediterranean and Northern Africa, and through Central Asia and the Indian Ocean region. The powerful central location of the Ottomans within this trading web had the effect of raising the cost of Asian trade for Europeans and thus drove a search for sea routes to Asia, including the expeditions that discovered the Americas.
67. The 17th and 18th centuries have frequently been termed the *age of mercantilism* because

A. the merchant class was created during this time.
B. the Americas were discovered.
C. business became more important than politics.
D. national power depended on the sponsorship and control of merchant capital.
E. free trade replaced trade controlled by national governments.

The 17th and 18th centuries have frequently been termed the *age of mercantilism* because the power of nations depended directly on the sponsorship and control of merchant capital, which expanded under the direct subsidization and protection of national governments.

68. Which of the following statements is not true?

A. The first multinational company, Singer Sewing Machine, built a factory in Scotland in 1868.
B. By 1914, at least 37 U.S. companies had production facilities in two or more overseas locations.
C. In the 1920s, all cars sold in Japan were made in the United States.
D. Friedrich Bayer purchased an interest in a New York plant in 1865.
E. The level of intracompany trade of multinationals in 1930, as a percentage of total world trade, may have exceeded the proportion at the end of the 20th century.

In 1602, the Dutch East India Company was formed to carry out colonial activities in Asia and to open ocean trade routes to the East. The first company to issue stock, it is also frequently identified as the world’s first multinational corporation.
Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world’s economic center of gravity from

A. the United States to South America.

B. the Americas and Europe to Asia.

C. Europe and Asia to Africa.

D. China to India.

E. East Asia to South America.

While most multinationals are based in the developed nations of the world, recently there has been a surge in the number arising in emerging economies. Indeed, rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world’s economic center of gravity from Europe and the Americas and back to Asia, where it had been until the start of the industrial revolution in the 1800s.
70. UNCTAD, an agency of the United Nations, estimates there are ________ transnational corporations with international production activities.

A. 5,500  
B. 12,000  
C. 82,000  
D. 120,000  
E. more than 800,000

UNCTAD, the United Nations agency in charge of all matters relating to FDI and international corporations, estimates there are 82,000 transnational corporations with international production activities.
71. Which of the following is not true regarding transnational corporations?

A. They employ more than 78 million people.

B. They account for approximately 50 percent of total global output.

C. They account for approximately two-thirds of world trade.

D. They have approximately 810,000 foreign affiliates.

E. The sales of their foreign affiliates have grown about 700 percent in the past 20 years.

UNCTAD, the United Nations agency in charge of all matters relating to FDI and international corporations, estimates there are 82,000 transnational corporations with international production activities. These transnationals have approximately 810,000 foreign affiliates that collectively employ more than 78 million people. These transnationals account for approximately 25 percent of total global output (not 50 percent) and two-thirds of world trade. Foreign affiliates’ sales have grown about 700 percent in the past 20 years.
72. Which of the following is not true regarding state-owned transnational corporations?

A. There is an estimated minimum of 550 state-owned transnationals.
B. State-owned transnationals are from both developed and developing countries.
C. They have over $2 trillion in assets.
D. They have more than 15,000 foreign affiliates.
E. They account for more than 11 percent of all transnational corporations.

While the vast majority of transnationals are privately owned, government ownership also represents an important element among the world’s international companies. UNCTAD estimates include a minimum of 550 state-owned transnationals, from both developing and developed countries, with more than 15,000 foreign affiliates and assets exceeding $2 trillion. Although they constitute fewer than 1 percent of all transnational corporations, these state-owned firms account for more than 11 percent of the world’s foreign direct investment.
73. Due to the expanding importance of foreign-owned firms in local economies, host
governments have made their policies toward these companies

A. more strict.

B. **more liberal.**

C. harsher.

D. more confronting.

E. inflexible.

The expanding importance of foreign-owned firms in local economies came to be viewed by a
number of governments as a threat to their autonomy. However, there has been a marked
liberalization of government policies and attitudes toward foreign investment in both
developed and developing nations in recent years.

**AACSB: Reflective Thinking**

**Accessibility: Keyboard Navigation**

**Blooms: Understand**

**Difficulty: 2 Medium**

**Learning Objective: 01-03 Discuss the dramatic internationalization of business.**

**Topic: The Changing Nature of the Global Economy**
74. When nations and corporations are ranked by GNI and total sales, respectively, for 2013 data, how many of the top 100 on the list are corporations?

A. 23  
B. 32  
C. 41  
D. 49  
E. 57

When nations and corporations are ranked by GNI and total sales, respectively, 41 of the first 100 on the list are corporations. However, a nation's GNI and a company's sales are not directly comparable because GNI is a measure of value added, not sales. If a nation's total sales were computed, the result would be far greater than its GNI because there would be triple and quadruple counting.

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-03 Discuss the dramatic internationalization of business.  
Topic: The Changing Nature of the Global Economy

75. Foreign subsidiaries must obey the local laws. If they don't, they are subject to

A. legal action by the United Nations.  
B. legal action by the host country and the country of the parent company.  
C. seizure by the host government.  
D. cancellation by the parent company of its right to do business in the host country.  
E. seizure by the company's home country government.

Regardless of the parent firm's size, each subsidiary is a local company that must comply with the laws in the country in which it is located. If it does not, it can be subject to legal action or even government seizure.

AACSB: Reflective Thinking  
Accessibility: Keyboard Navigation
76. Which of the following is not true regarding foreign direct investment?

A. The world stock of outward FDI was $26.3 trillion at the beginning of 2014.
B. FDI refers to direct investments in a foreign country, at a level sufficient to obtain significant management control.
C. FDI includes foreign investment in stock markets.
D. FDI calculations include direct investments in equipment, structures, and organizations in a foreign country.
E. FDI does not include exports.

Foreign direct investment refers to direct investments in equipment, structures, and organizations in a foreign country at a level sufficient to obtain significant management control. It does not include mere foreign investment in stock markets. The world stock of outward FDI was $26.3 trillion at the beginning of 2014.
77. The worldwide stock of outward FDI is estimated to have increased _____ between 1990 and 2014.

A. threefold  
B. fivefold  
C. ninefold  
D. thirteenfold  
E. seventeenfold

The world stock of outward FDI was $26.3 trillion at the beginning of 2014, which was 13 times larger than what it was in 1990.

78. _____ refers to the transportation of any domestic good or service to a destination outside a country or region.

A. Importing  
B. Foreign direct investment  
C. Exporting  
D. International business  
E. International logistics

Exporting is the transportation of any domestic good or service to a destination outside a country or region.
79. _____ refers to the transportation of any domestic good or service to a destination inside a country or region, from a foreign origination point.

A. Importing  
B. Foreign direct investment  
C. Exporting  
D. International business  
E. International logistics

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

80. The level of merchandise exports worldwide were _____ larger in 2013 than they were in 1980.

A. four times  
B. nearly six times  
C. nearly eight times  
D. nearly 10 times  
E. 23 percent

World merchandise exports grew from $2.0 trillion in 1980 to $3.5 trillion in 1990, $6.5 trillion in 2000, $15.3 trillion in 2010, and $18.8 trillion in 2013. This means that exports in 2013 were nearly 10 times larger than they were in 1980, and 2013 exports were 23 percent larger than only three years earlier, in 2010.
81. The level of service exports worldwide increased about ______ between 1980 and 2013.

A. fourfold  
B. sixfold  
C. tenfold  
D. twelvefold  
E. seventeenfold

The level of service exports worldwide grew from $396 billion in 1980 to $831 billion in 1990, $1.5 trillion in 2000, $3.9 trillion in 2010, and $4.7 trillion in 2013. This means that services exports in 2013 were about 12 times larger than they were in 1980.
82. Which of the following are identified in the text as being one of the five major drivers of globalization?

A. Political
B. Social
C. Cultural
D. Economic
E. Productive

Five major kinds of drivers, all based on change, are leading international firms to internationalize their operations: (1) political, (2) technological, (3) market, (4) cost, and (5) competitive.

83. Which of the following are identified in the text as being one of the five major drivers of globalization?

A. Monetary
B. Technological
C. Cultural
D. Market
E. Communications

Five major kinds of drivers, all based on change, are leading international firms to internationalize their operations: (1) political, (2) technological, (3) market, (4) cost, and (5) competitive.
84. The major globalization drivers include all of the following except

A. political.  
B. social.  
C. technological.  
D. market.  
E. competitive.

Five major kinds of drivers, all based on change, are leading international firms to internationalize their operations: (1) political, (2) technological, (3) market, (4) cost, and (5) competitive.
85. According to the text, political drivers of globalization include

A. preferential trading agreements.
B. expanded barriers to trade and foreign investment.
C. nationalization of much of the industry in formerly communist nations.
D. limitations on foreign direct investment.
E. import barriers.

There is a trend toward the unification and socialization of the global community. Preferential trading arrangements that group several nations into a single market, such as the North American Free Trade Agreement and the European Union, have presented firms with significant marketing opportunities. Many firms have moved swiftly to gain access to the combined markets of these trading partners, by either exporting to or producing in the area. Two other aspects of this trend are contributing to the globalization of business operations: (1) the progressive reduction of barriers to trade and foreign investment by most governments, which is hastening the opening of new markets by international firms that are both exporting to them and building production facilities in them, and (2) the privatization of much of the industry in formerly communist nations and the opening of their economies to global competition.
86. The trend toward unification and socialization of the global community is illustrated by which of the following?

A. Progressive increases in barriers to foreign investment by most governments.
B. Preferential trading arrangements that group several nations into a single market.
C. Increased public ownership of much of the industry in formerly communist nations.
D. Expanded barriers to trade by most governments.
E. Restriction of access by foreign firms to domestic economies.

There is a trend toward the unification and socialization of the global community. Preferential trading arrangements that group several nations into a single market, such as the North American Free Trade Agreement and the European Union, have presented firms with significant marketing opportunities. Many firms have moved swiftly to gain access to the combined markets of these trading partners by either exporting to or producing in the area. Two other aspects of this trend are contributing to the globalization of business operations: (1) the progressive reduction of barriers to trade and foreign investment by most governments, which is hastening the opening of new markets by international firms that are both exporting to them and building production facilities in them, and (2) the privatization of much of the industry in formerly communist nations and the opening of their economies to global competition.
87. According to the text, technological drivers for globalization include all of the following except

A. advances in computers and communication technology that permit increased flow of ideas and information across borders.
B. global communication networks that enable production to be coordinated worldwide.
C. the Internet, which limits business between buyers and sellers who are physically separated.
D. videoconferencing that allows sellers to demonstrate products to prospective buyers without the need for travel.
E. computer-based communications that allow virtual integration.

Advances in computers and communications technology are permitting an increased flow of ideas and information across borders, enabling customers to learn about foreign goods. Cable and satellite TV systems in Europe and Asia, for example, allow an advertiser to reach numerous countries simultaneously, thus creating regional and sometimes global demand. Global communications networks enable manufacturing workers to coordinate production and design functions worldwide so that plants in many parts of the world may be working on the same product. The Internet and network computing enable small companies to compete globally because they make possible the rapid flow of information regardless of the physical location of the buyer and seller. Internet videoconferencing allows sellers to demonstrate their products to prospective buyers all over the world without the need to travel. It also permits international companies to hold corporate meetings between managers from headquarters and overseas subsidiaries without expensive, time-consuming travel. In addition, communicating by e-mail on the Internet is faster and more reliable than using postal mail. Both Internet uses have given home office managers greater confidence in their ability to direct overseas operations.

Advances in computer-based communications are allowing virtual integration, which permits firms to become more physically fragmented as they search the world for lower-cost inputs.

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.
Topic: Drivers of Globalization
88. When a government sees that local industry is threatened by imports, it can threaten to erect import barriers to stop or reduce these imports. This is an example of a _______ driver of international business activity.

A. technological  
B. market  
C. political  
D. cost  
E. competitive

Even with governmental actions to open their economies to international business, concerns about protecting markets from potential protectionism by host country markets may still remain a motive for a company to increase the level of its international business activity. For example, when a government sees that local industry is threatened by imports, it may erect import barriers to stop or reduce these imports. Even threats to do this can be sufficient to induce the exporter to invest in production facilities in the importing country.
89. Good, inexpensive international communication enables firms to "body shop," that is, transmit computer-oriented tasks worldwide to a cheap but skilled labor force. This is an example of a _______ driver of international business activity.

A. political technological  
B. market  
C. technological  
D. cost  
E. competitive

Advances in computer-based communications are allowing virtual integration, which permits firms to become more physically fragmented as they search the world for lower-cost inputs. For example, good, relatively inexpensive international communication enables large insurance, banking, software, and other firms to "body shop," that is, transmit computer-oriented tasks worldwide to a cheap but skilled labor force. The clients of numerous Indian software companies are in the United States. A few years ago, software teams were required to fly back and forth between the two countries. Now, at the end of the day, customers in the United States e-mail their problems to India. The Indians then work on the solutions and have them back in the United States early the next day. For their work, Indian software engineers often receive only 15 to 20 percent as much pay as do their U.S. counterparts.

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Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 2 Medium

Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.  
Topic: Drivers of Globalization
90. When a supplier to an original equipment manufacturer (e.g., a battery manufacturer supplying an automobile producer) follows their large customer to a new country, this is an example of a _______ driver of international business activity.

A. political technological
B. market
C. technological
D. cost
E. competitive

Suppliers to original equipment manufacturers (battery manufacturers supplying automobile producers) often follow their large customers, reflecting a market driver for internationalization. These suppliers have an added advantage in that they are moving into new markets with a guaranteed customer base.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Bloom's: Apply
Difficulty: 2 Medium

Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.
Topic: Drivers of Globalization
91. Which of the following is not linked to the market driver of international business activity?

A. Searching for markets with rising gross domestic product per capita and population growth.
B. Identifying economies where one’s company is not doing business but which are growing much faster than their own home country.
C. A manufacturing company that follows its customers to foreign markets in order to be able to supply them.
D. A company that moves its manufacturing operations to another country because labor costs are lower.
E. An accounting company that establishes foreign operations in markets where their principal accounts are located.

A company that moves its manufacturing operations to another country because labor costs are lower is responding to cost drivers, not market drivers.
92. Which of the following is not linked to the cost driver of international business activity?

A. A manufacturing company that follows its customers to foreign markets to be able to supply them.
B. A company that goes abroad through exporting to enhance production economies of scale.
C. A company that goes abroad through exporting to spread R&D costs across a larger number of units of goods sold.
D. A company that moves its manufacturing operations to another country that offers an export processing zone that has no taxation for products that are processed and re-exported.
E. An accounting company that moves some of its tax preparation work from the United States to India to utilize workers who have English language skill but a lower salary range. This establishes foreign operations in markets where their principal accounts are located.

A manufacturing company that follows its customers to foreign markets to be able to supply them would typically be an example of a market driver for internationalization.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Topic: Drivers of Globalization
93. Which of the following is the best example of the competitive driver of international business activity?

A. A manufacturing company that lobbies its home country government for protection against imports.
B. A company that expands its local manufacturing facility in a foreign country in order to qualify for tax rebates.
C. A company that searches for markets with rising gross domestic product per capita and population growth.
D. A company that enters a foreign competitor’s home market to distract them.
E. A company that hires a host country manager to satisfy legislation that limits the number of expatriates that can be employed.

While many of these alternatives may have some element related to the competitiveness of a company, a company that enters a foreign competitor’s home market to distract them would be the best example of a company responding to a competitive driver as the basis for internationalizing its business activities.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.
Topic: Drivers of Globalization
94. According to the text, the tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is called

A. internationalization.
B. international business.
C. economic globalization.
D. multinationalization.
E. global integration.

Economic globalization is the tendency toward an international integration and interdependency of goods, technology, information, labor, and capital, or the process of making this integration happen.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.
Topic: What is Globalization?

95. According to the text, the tendency toward an international integration of goods, technology, information, labor and capital, or the process of making this integration happen, is termed

A. international business.
B. economic globalization.
C. foreign direct investment.
D. socialism.
E. global capitalism.

Economic globalization is the tendency toward an international integration and interdependency of goods, technology, information, labor, and capital, or the process of making this integration happen.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
The term *globalization* was first coined by Theodore Levitt in a *Harvard Business Review* article in which he maintained that

A. new technologies were creating opportunities for creating mass customization of products.
B. governments would be threatened by the emergence of global companies and would limit their development.

C. the future belonged to global companies that sold the same things the same way, everywhere.
D. increased differentiation of products would mean that costs of production would become a steadily declining proportion of the selling price.
E. globalization would eliminate differences among consumers and markets, worldwide.

The term *globalization* was first coined by Theodore Levitt in a *Harvard Business Review* article in which he maintained that new technologies had "proletarianized" communication, transport, and travel, creating worldwide markets for standardized consumer products at lower prices. He maintained that the future belonged to global corporations that did not cater to local differences in taste but, instead, adopted strategies that operated "as if the entire world (or major regions of it) were a single entity; [such an organization] sells the same things in the same way everywhere."
97. The argument that free trade is the best strategy for advancing the world's economic development

A. is one of the most contentious issues associated with economic globalization.
B. has received very mixed support in research studies.
C. is a proposition with which almost all economists agree.
D. is the basis for much protectionist legislation in emerging markets.
E. was a fundamental element underlying mercantilism in the 16th century.

That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree, not only because it is theoretically compelling but also because it has been demonstrated in practice.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.
Topic: What is Globalization?

98. Data have shown a clear and definitive link between

A. protectionist legislation and enhanced economic welfare of a country.
B. liberalization of trade and reduced disparity in personal income.
C. government subsidies and the development of globally competitive industries.
D. liberalization of trade and economic growth.
E. liberalization of trade and the elimination of poverty.

Data have shown a clear and definitive link between liberalization of trade and economic growth. On a wide range of measures—poverty, education, health, and life expectancy—more people have become better off at a faster pace in the past 60 years than at any other time in history. Evidence is strong regarding the dramatic decline in both the proportion and the absolute number of destitute people.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
99. Which of the following was not presented as data in support of liberalization of trade?

A. More people have become better off at a faster pace in the past 60 years than at any other time in history.

B. There has been a dramatic decline in both the proportion and the absolute number of destitute people in the world, with those living in extreme poverty falling by half between 1990 and 2010.

C. Life expectancy in the developing world has nearly doubled since World War II.

D. Citizens from more globally integrated countries have lower levels of civil liberties but greater economic prosperity.

E. The proportion of children in the labor force has fallen by approximately two-thirds since 1960.

Citizens from more globally integrated countries have greater levels of civil liberties and political rights.
100. According to supporters of the globalization of trade and investment, free trade

A. creates more and better jobs.
B. benefits all nations and workers.
C. does not cause the loss of high-paying jobs.
D. preserves the individuality of different cultures.
E. is an unattainable goal of idealists.

Expanded trade is also linked with the creation of more and better jobs. Between 1990 and 2014—a period of immense technological change and growth in trade—around 50 million more nonfarm jobs were created than were destroyed in the United States, an increase of over 55 percent.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.

Topic: What is Globalization?
101. Which of the following is not an argument presented in support of opponents of globalization?

A. The promise of export-led growth has failed to materialize in several places.
B. Globalization efforts in sub-Saharan Africa have produced only limited benefits, and the number of people there who are living in extreme poverty rose 43 percent between 1990 and 2010.
C. There is a huge gap between the world's rich and poor and that globalization has caused that gap to increase.
D. Prosperity generated by globalization results in improved environmental and health standards.
E. Globalization encourages jobs to migrate to developing nations where there are lower standards, and thus lower costs.

While many of the antiglobalizers concede that globalization "increases the size of the pie," they also claim that it has been accompanied by a broad array of injurious social implications, including contributing to a decline in environmental and health conditions.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.
Topic: What is Globalization?
102. Which of the following is an argument presented in support of opponents of globalization?

A. A report by the Labor Secretariat for the North American Free Trade Agreement (NAFTA) reported that more than half of firms surveyed used threats to close U.S. operations as a tool to fight union-organizing efforts.
B. Although labor standards in developing countries are usually lower than in industrialized countries, they are rising.
C. Multinationals investing in host nations pay higher wages, create new jobs at a faster rate, and spend more on R&D than do local firms.
D. Developing countries may feel that lower-cost labor constitutes their competitive advantage and that if they are forced to implement more stringent labor standards, it may damage their prospects for improved economic development.
E. The economic growth fostered by globalization can help generate and distribute additional resources for protecting the environment.

All of these arguments have generally been presented as counterarguments to the opponents of globalization, except the report by the Labor Secretariat for the North American Free Trade Agreement (NAFTA) reported that more than half of firms surveyed used threats to close U.S. operations as a tool to fight union-organizing efforts.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understana
Difficulty: 2 Medium

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.
Topic: What is Globalization?
103. According to opponents of the globalization of trade and investment

A. free trade benefits all nations and workers.
B. globalization has caused a dramatic decline in both the proportion and the absolute number of destitute people in the world.
C. globalization has contributed to a decline in environmental and health conditions.
D. globalization enhances preservation of the uniqueness of different cultures.
E. citizens from more globally integrated countries have lower levels of civil liberties and lower economic prosperity.

While many of the antiglobalizers concede that globalization "increases the size of the pie," they also claim that it has been accompanied by a broad array of injurious social implications. Among their concerns are (1) that globalization has produced uneven results across nations and people, (2) that globalization has had deleterious effects on labor and labor standards, and (3) that globalization has contributed to a decline in environmental and health conditions.
According to opponents of the globalization of trade and investment

A. globalization has contributed to an improvement in environmental and health conditions.
B. globalization benefits all nations and workers.
C. globalization has produced uneven results across nations and people.
D. citizens from more globally integrated countries have lower levels of civil liberties and lower economic prosperity.
E. globalization has increased the proportion of children in the labor force worldwide.

While many of the antiglobalizers concede that globalization "increases the size of the pie," they also claim that it has been accompanied by a broad array of injurious social implications. Among their concerns are (1) that globalization has produced uneven results across nations and people, (2) that globalization has had deleterious effects on labor and labor standards, and (3) that globalization has contributed to a decline in environmental and health conditions.
105. According to opponents of the globalization of trade and investment

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

B. globalization has had harmful effects on labor and labor standards.

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

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

E. globalization has contributed to an improvement in environmental and health conditions.

While many of the antiglobalizers concede that globalization "increases the size of the pie," they also claim that it has been accompanied by a broad array of injurious social implications. Among their concerns are (1) that globalization has produced uneven results across nations and people, (2) that globalization has had deleterious effects on labor and labor standards, and (3) that globalization has contributed to a decline in environmental and health conditions.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.

Topic: What is Globalization?
106. PwC, a professional services company, predicts the next decade will see an increase of _____ percent in the number of workers accepting global assignments.

50

PwC, a professional services company, predicts the next decade will see an increase of 50 percent in the number of workers accepting global assignments.

107. Research has shown that CEOs strongly believed (1) an international orientation should be an important part of college business education; (2) international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas; and (3) the importance indicated in the preceding points was magnified for companies that anticipated ______ importance of international activities in the next five years.

increasing

Research has shown that CEOs strongly believed (1) an international orientation should be an important part of college business education; (2) international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas; and (3) the importance indicated in the preceding points was magnified for companies that anticipated increasing importance of international activities in the next five years.
108. Survey data from CEOs of the 162 largest firms on the Fortune’s list of the 500 largest U.S. corporations revealed that the CEOs strongly believed that international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions.

Surveying CEOs of the 162 largest firms on the *Fortune*’s list of the 500 largest U.S. corporations, we found that the CEOs strongly believed (1) an international orientation should be an important part of college business education; (2) international business skills and knowledge were important not merely for promotion to senior executive positions but also for appointment to entry-level positions, and across a broad array of functional as well as cross-functional areas; and (3) the importance indicated in the preceding points was magnified for companies that anticipated increasing importance of international activities in the next five years.

AACSB: Reflective Thinking  
Blooms: Remember  
Difficulty: 2 Medium  
Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

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

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

AACSB: Reflective Thinking  
Blooms: Remember  
Difficulty: 2 Medium  
Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?
110. A(n) _______ company is a company with operations in multiple nations.

**international**

An international company is a company with operations in multiple nations.

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**
**Learning Objective: 01-01 Show how international business differs from domestic business.**
**Topic: Why Study International Business?**

111. International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments: domestic, _______ and international.

**foreign**

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments: domestic, foreign, and international.

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**
**Learning Objective: 01-01 Show how international business differs from domestic business.**
**Topic: Why Study International Business?**

112. As used in the text, the term _______ means all the forces influencing the life and development of the firm.

**environment**

As used in the text, the term *environment* means all the forces influencing the life and development of the firm.

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**
**Learning Objective: 01-01 Show how international business differs from domestic business.**
**Topic: Why Study International Business?**
113. The external forces are commonly called ______ forces, which are the external forces that management has no direct control over, although it can exert influence.

**uncontrollable**

The external forces are commonly called uncontrollable forces, which are the external forces that management has no direct control over, although it can exert influence.

AACSB: Reflective Thinking  
Blooms: Remember  
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

114. According to the text, environmental elements over which management does not have control—including competitive, labor, and financial forces—are called _____ forces.

**external or uncontrollable**

Competitive, labor, and financial forces are external (or uncontrollable) forces.

AACSB: Reflective Thinking  
Blooms: Understand  
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

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

**controllable**

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

AACSB: Reflective Thinking  
Blooms: Remember  
 Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

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

domestic

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

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

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

foreign

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

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
118. The forces in the foreign environment are ______ as those in the domestic environment except that they occur outside the firm's home country.

the same

The forces in the foreign environment are the same as those in the domestic environment except that they occur outside the firm's home country. However, they operate differently for several reasons.

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

international

The international environment consists of the interactions between the domestic environmental forces and the foreign environmental forces, as well as interactions between the foreign environmental forces of two countries.
120. When an affiliate in one country does business with customers in another, it is operating in the __________ environment.

international

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

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

121. A classic example of diametrically opposed ______-force values and the bewilderment they create for multinational managers is the sanctions placed on Russia and selected Russian companies in response to Russia’s actions in the Ukraine in 2014.

political

A classic example of diametrically opposed political-force values and the bewilderment they create for multinational managers is the sanctions placed on Russia and selected Russian companies in response to Russia’s actions in the Ukraine in 2014. The Russian government imposed retaliatory sanctions, including bans on the importation of food products from Europe.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
122. If Xiaomi’s China operations export smartphones to another country such as India, then the sales manager is affected by forces of both the domestic environment of China and the foreign environment of India and therefore is working in the ______ environment.

**international**

In other words, a sales manager of the operations of the Chinese electronics firm Xiaomi does not work in the international environment if he or she sells cellular phones only in China. If Xiaomi’s China operations export smartphones to another country such as India, then the sales manager is affected by forces of both the domestic environment of China and the foreign environment of India and therefore is working in the international environment.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?

123. Those who work in the international environment find that decision making is ______ complex than it is in a purely domestic environment.

**more**

Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-01 Show how international business differs from domestic business.
Topic: Why Study International Business?
124. Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the ______ criterion.

self-reference

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

AACSB: Reflective Thinking  
Blooms: Remember  
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

125. The ______ is probably the biggest cause of international business blunders.

self-reference criterion

The self-reference criterion is probably the biggest cause of international business blunders.

AACSB: Reflective Thinking  
Blooms: Remember  
Difficulty: 2 Medium

Learning Objective: 01-01 Show how international business differs from domestic business.  
Topic: Why Study International Business?

126. In international business, the international manager has three choices in deciding what to do with a concept or a technique employed in domestic operations: (1) transfer it intact, (2) adapt it to local conditions, or (3) ________.

not use it overseas

In international business, the international manager has three choices in deciding what to do with a concept or a technique employed in domestic operations: (1) transfer it intact, (2) adapt it to local conditions, or (3) not use it overseas.

AACSB: Reflective Thinking  
Blooms: Remember
127. China was the world’s leading manufacturing country for about 1,800 years, until it was replaced by Britain about 1840.

**Britain**

China was the world’s leading manufacturing country for about 1,800 years, until it was replaced by Britain about 1840.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 01-02 Describe the history and future of international business.
Topic: What is Globalization?

128. The Ottoman Empire’s powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.

**Ottoman**

The Ottoman Empire’s powerful location raised the cost of Asian trade for the Europeans and resulted in a search for sea routes to Asia.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 01-02 Describe the history and future of international business.
Topic: What is Globalization?
129. A ______ corporation is an enterprise made up of entities in more than one nation, operating under a decision-making system that allows a common strategy and coherent policies.

**transnational**

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

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 01-03 Discuss the dramatic internationalization of business.
Topic: The Changing Nature of the Global Economy

130. UNCTAD, the United Nations agency in charge of all matters relating to FDI and international corporations, estimates there are 82,000 transnational corporations with international production activities and that these transnationals account for approximately ____ percent of total global output.

25

UNCTAD, the United Nations agency in charge of all matters relating to FDI and international corporations, estimates there are 82,000 transnational corporations with international production activities. These transnationals have approximately 810,000 foreign affiliates that collectively employ more than 78 million people. These transnationals account for approximately 25 percent of total global output and two-thirds of world trade.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 01-03 Discuss the dramatic internationalization of business.
Topic: The Changing Nature of the Global Economy
131. Although they represent fewer than 1 percent of all transnational corporations, _______ transnationals account for more than 11 percent of the world’s foreign direct investment.

*state-owned*

Although they represent fewer than 1 percent of all transnational corporations, state-owned transnationals account for more than 11 percent of the world’s foreign direct investment.

**AACSB: Reflective Thinking**  
**Blooms: Remember**  
**Difficulty: 2 Medium**  
*Learning Objective: 01-03 Discuss the dramatic internationalization of business.*  
*Topic: The Changing Nature of the Global Economy*

132. The expanding importance of foreign-owned firms in local economies has been viewed by a number of governments as a threat to their autonomy. However, there has been a marked ______ of government policies and attitudes toward foreign investment in both developed and developing nations in recent years.

*liberalization*

The expanding importance of foreign-owned firms in local economies came to be viewed by a number of governments as a threat to their autonomy. However, there has been a marked liberalization of government policies and attitudes toward foreign investment in both developed and developing nations in recent years.

**AACSB: Reflective Thinking**  
**Blooms: Remember**  
**Difficulty: 2 Medium**  
*Learning Objective: 01-03 Discuss the dramatic internationalization of business.*  
*Topic: The Changing Nature of the Global Economy*
133. _______ refers to direct investments in equipment, structures, and organizations in a foreign country at a level sufficient to obtain significant management control.

**Foreign direct investment**

Foreign direct investment refers to direct investments in equipment, structures, and organizations in a foreign country at a level sufficient to obtain significant management control.

AACSB: Reflective Thinking  
Blooms: Remember  
Difficulty: 2 Medium  
Learning Objective: 01-03 Discuss the dramatic internationalization of business.  
Topic: The Changing Nature of the Global Economy

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

**Exporting**

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

AACSB: Reflective Thinking  
Blooms: Remember  
Difficulty: 2 Medium  
Learning Objective: 01-03 Discuss the dramatic internationalization of business.  
Topic: The Changing Nature of the Global Economy

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

**Importing**

Importing is the transportation of any good or service into a country or region, from a foreign origination point.
Although merchandise exports have grown faster than world output in nearly every year since 1980, the level of ______ exports worldwide has grown even more rapidly during this time.

service

Merchandise exports have grown faster than world output in nearly each of the past 60 years. World merchandise exports grew from $2.0 trillion in 1980 to $3.5 trillion in 1990, $6.5 trillion in 2000, $15.3 trillion in 2010, and $18.8 trillion in 2013. This means that exports in 2013 were nearly 10 times larger than they were in 1980, and 2013 exports were 23 percent larger than only three years earlier, in 2010. The level of service exports worldwide grew even more during this time, from $396 billion in 1980 to $831 billion in 1990, $1.5 trillion in 2000, $3.9 trillion in 2010, and $4.7 trillion in 2013. This means that services exports in 2013 were about 12 times larger than they were in 2010.

According to the text, there are _____ major kinds of drivers, all based on changes that are leading international firms to the globalization of their operations.

five

According to the text, there are five major kinds of drivers, all based on changes that are leading international firms to the globalization of their operations: political, technological, market, cost, and competitive.
138. According to the text, preferential trading agreements are examples of ________ drivers of globalization.

**political**

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

139. Two political drivers contributing to the globalization of business operations, as mentioned in the text, include: (1) the progressive ________ of barriers to trade and foreign investment by most governments, which is hastening the opening of new markets by international firms that are both exporting to them and building production facilities in them, and (2) the privatization of much of the industry in formerly communist nations and the opening of their economies to global competition.

**reduction**

Two political drivers contributing to the globalization of business operations, as mentioned in the text, include: (1) the progressive reduction of barriers to trade and foreign investment by most governments, which is hastening the opening of new markets by international firms that are both exporting to them and building production facilities in them, and (2) the privatization of much of the industry in formerly communist nations and the opening of their economies to global competition.
140. Advances in computers, including the Internet and network computing, are examples of _____ drivers contributing to the globalization of business operations.

**technological**

Advances in computers and communications technology are permitting an increased flow of ideas and information across borders, enabling customers to learn about foreign goods. Cable and satellite TV systems in Europe and Asia, for example, allow an advertiser to reach numerous countries simultaneously, thus creating regional and sometimes global demand. Global communications networks enable manufacturing workers to coordinate production and design functions worldwide so that plants in many parts of the world may be working on the same product. The Internet and network computing enable small companies to compete globally because they make possible the rapid flow of information regardless of the physical location of the buyer and seller. These illustrate technological drivers for globalization.

141. The United States has only about _____ percent of the world’s population, so the vast proportion of most companies' potential customers are located elsewhere.

5

The United States has only about 5 percent of the world's population, so the vast proportion of most companies' potential customers are located elsewhere.
142. A _____ driving force for globalization is the fact that companies are defending their home markets from competitors by entering the competitors' home markets to distract them.

**competitive**

A competitive driving force for globalization is the fact that companies are defending their home markets from competitors by entering the competitors' home markets to distract them.

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**

*Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.*

*Topic: Drivers of Globalization*

143. That _____ trade is the best strategy for advancing the world’s economic development is one of the few propositions on which almost all economists agree.

**free**

That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree.

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**

*Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.*

*Topic: Drivers of Globalization*

144. The tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is referred to as _______.

**economic globalization**

**economic globalization**

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**

*Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.*
A one percentage point increase in ______ on average reduces poverty by more than 1.5 percent each year.

**growth**

A growing body of evidence shows that countries that are more open to trade grow faster over the long run than those that remain closed. And growth directly benefits the world's poor. A one percentage point increase in growth on average reduces poverty by more than 1.5 percent each year.

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.

Within a generation's time, there has been an enormous improvement in the human condition, and every one of the development success stories was based on export-led growth facilitated by the ______ of trade.

**liberalization**

Within a generation's time, there has been an enormous improvement in the human condition, and every one of the development success stories was based on export-led growth facilitated by the liberalization of trade.

**AACSB: Reflective Thinking**
**Blooms: Remember**
**Difficulty: 2 Medium**

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.
147. Expanded trade is also linked with the creation of more and ________ jobs.

**better**

Expanded trade is also linked with the creation of more and better jobs. It is true that when a country opens to trade, just as when new technologies are developed, some of its sectors may not be competitive. Companies may go out of business, and some jobs will be lost. But trade creates new jobs, and these tend to be better than the old ones.

148. Many opponents of globalization have claimed that there is a huge gap between the world’s rich and poor and that ____ has caused that gap to increase.

**globalization**

Many opponents of globalization have claimed that there is a huge gap between the world’s rich and poor and that globalization has caused that gap to increase.

149. Opponents of free trade point out that globalization has contributed to a ______ in environmental and health conditions.

**decline**

Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.
The term "Bottom of the ______," popularized by the late Professor C. K. Prahalad, refers to the approximately 3 billion of the world's poorest inhabitants who survive on less than $2 per day.

**Pyramid**

The term "Bottom of the Pyramid," popularized by the late Professor C. K. Prahalad, refers to the approximately 3 billion of the world's poorest inhabitants who survive on less than $2 per day.

**Essay Questions**

151. Discuss the three environments in which an international company operates.

Answers may vary, but should address each of the three kinds of environments that firms operating across borders must deal with: domestic, foreign, and international. The domestic environment involves all of the uncontrollable forces originating in the home country that surround and influence the firm's life and development. The foreign environment involves all of the uncontrollable forces originating outside the home country that surround and influence the firm. The international environment involves the interaction between domestic and foreign environmental forces, or between sets of foreign environmental forces.
152. Identify and discuss the five major kinds of drivers that are leading international firms to the globalization of their operations.

Answers may vary, but should address each of the five major kinds of drivers: political, technological, market, cost, and competitive.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.
Topic: Drivers of Globalization

153. Discuss the arguments supporting and opposing globalization of trade and investment.

Answers may vary, but arguments supporting globalization should include discussion about how free trade enhances socioeconomic development and about how free trade promotes more and better jobs. Arguments opposing globalization of trade and investment should include discussion of how globalization has produced uneven results across nations and people, has had deleterious effects on labor and labor standards, and has contributed to a decline in environmental and health conditions.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-05 Compare the key arguments for and against the globalization of business.
Topic: What is Globalization?