

Management, 10e (Robbins)
Chapter 4 Managing in a Global Environment

1) Americans tend to suffer from parochialism.

Answer: TRUE

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

2) A drawback of the geocentric perspective is that it is inflexible.

Answer: FALSE

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

3) Managers with an ethnocentric attitude would not trust foreign employees with key decisions or technology.

Answer: TRUE

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

4) Managers with a polycentric attitude would view every foreign operation as difficult and hard to understand.

Answer: TRUE

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

5) The polycentric attitude is a world-oriented view focusing on using the best approaches and people from around the globe.

Answer: FALSE

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

6) The European Union (EU) and the North American Free Trade Agreement (NAFTA) created regional trading and cooperative agreements.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

7) The primary motivation for the creation of the EU was to allow Europeans to reassert their position against the industrial strength of the United States and Japan.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

8) The three original partners of NAFTA are the United States, Canada, and Mexico.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

9) Mercosur is a trading group made up of South American countries.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

10) Norway is a member of the European Union.

Answer: FALSE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

11) Multinational corporations became commonplace in the mid-1960s.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

12) Multinational corporations maintain significant operations in two or more countries simultaneously, but are based in one home country.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

13) The transnational corporation characterizes the ethnocentric attitude toward the management of an organization's global business.

Answer: FALSE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

14) Transnational corporations run their businesses from their home country.

Answer: FALSE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

15) When organizations first go international, they often start with global sourcing.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

16) The process of exporting involves acquiring products made abroad and selling them domestically.

Answer: FALSE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

17) In the early stages of doing business internationally, managers may license or franchise to another firm the right to use their organization's brand name, technology, or product specifications.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

18) Licensing is commonly used by both manufacturing and services organizations.

Answer: FALSE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

19) In a strategic alliance, both partners share the risks and rewards of the alliance.

Answer: TRUE

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

20) The legal-political environment is an important factor of managing in a foreign environment.

Answer: TRUE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

21) Only when a country's legal-political environment is unstable or revolutionary is it of concern to managers.

Answer: FALSE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

22) The United States is an example of a command economy.

Answer: FALSE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

23) Research indicates that organizational culture has a stronger impact on employees than does national culture.

Answer: FALSE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

24) Mexico is an example of a collectivist nation.

Answer: TRUE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

25) The United States is an example of a country with smaller power distance.

Answer: TRUE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

26) An increased level of anxiety among its people characterizes a society with high uncertainty avoidance.

Answer: TRUE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

27) Hofstede found that the Italian culture is well above average on uncertainty avoidance measures of culture.

Answer: TRUE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

28) GLOBE stands for Global Leadership and Organizational Behavior Effectiveness.

Answer: TRUE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

29) The GLOBE framework for assessing cultures is similar to Hofstede's framework, but measures fewer dimensions.

Answer: FALSE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

30) One challenge that arises out of the openness of globalization is the threat of terrorism.

Answer: TRUE

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

31) To succeed in a global marketplace, managers must _____.

A) constantly develop new strategies to maintain their parochial views

B) expect competitors to suddenly appear at any time from any place

C) implement only the best practices of their home countries

D) downplay the effect of the values and customs of other cultures

Answer: B

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

32) One reason for parochialism in the United States is that Americans tend to study _____ in school.

A) only English

B) only two languages

C) English and French

D) English and Spanish

Answer: A

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

33) Which of the following describes the current state of the world use of languages?

A) Germans and Italians, unlike other Europeans, only speak their native language.

B) Americans tend to study many other languages in school.

C) More than 75 percent of all primary school children in China now learn English.

D) Americans tend to think of English as the only international business language.

Answer: D

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

34) Ethnocentric views concentrate on their _____.

- A) home country
- B) host country
- C) world orientation
- D) racial orientation

Answer: A

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

35) Parochialism is _____.

- A) acceptance of diverse points of view
- B) a desire to leave one's own culture for a foreign culture
- C) a tendency to view the world through a single perspective
- D) recognition of diverse religious beliefs

Answer: C

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

36) For U.S. businesses to have successful global management, which of the following statements provides the best advice?

- A) Americans should continue to push for the use of English only.
- B) Stick to your own customs to avoid embarrassing incidents.
- C) Make sure foreign businesspeople know you are American so they will speak to you in English.
- D) Develop an understanding of multicultural differences.

Answer: D

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

37) Which of the following is the least favorable attitude for an American manager who wishes to be successful in international business?

- A) multicultural
- B) multicentric
- C) ethnocentric
- D) polycentric

Answer: C

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

38) Managers with a(n) _____ attitude view every foreign operation as different and hard to understand.

- A) geocentric
- B) polycentric
- C) ethnocentric
- D) transnational

Answer: B

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

39) Successful global management requires an attitude that is best described as _____.

- A) ethnocentric
- B) parochial
- C) polycentric
- D) geocentric

Answer: D

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

40) A(n) _____ attitude is characterized by parochialism.

- A) geocentric
- B) acculturated
- C) polylinguistic
- D) ethnocentric

Answer: D

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

41) A(n) _____ attitude is the view that host-country managers know the best practices for running their operations.

- A) ethnocentric
- B) polycentric
- C) geocentric
- D) international

Answer: B

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

42) The geocentric attitude is a _____ view.

- A) nationalistic
- B) world-oriented
- C) culture-bound
- D) franchise-based

Answer: B

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

43) Successful _____ management requires enhanced sensitivity to differences in national customs and practices.

- A) ethnocentric
- B) polycentric
- C) global
- D) parochial

Answer: C

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

44) The _____ was created by the unification of 12 countries in Europe.

- A) European Common Market
- B) European Union
- C) Western European Alliance
- D) Trans-European Market (TEM)

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

45) The principle reason for the formation of a regional trading alliance in Europe was to reassert members' economic positions against the strength of the United States and _____.

- A) Canada
- B) Mexico
- C) Japan
- D) Russia

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

46) The European Union covers _____.

- A) border controls, taxes, and subsidies
- B) nationalistic policies and travel
- C) employment, investment, and trade
- D) all of the above

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

47) The single EU currency is called the _____.

- A) franc
- B) franc-mark
- C) pound
- D) euro

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

48) Which of the following countries is not a member of the European Union?

- A) Iceland
- B) Ireland
- C) Cyprus
- D) Slovenia

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

49) Among the member countries of the North American Free Trade Agreement, trade has _____ since the treaty was signed.

- A) decreased initially, but increased steadily
- B) increased
- C) decreased
- D) increased in commodities, but decreased in manufactured goods

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

50) The North American Free Trade Agreement includes _____.

- A) Mexico, Canada, and the United States
- B) Canada, Mexico, and Brazil
- C) the United States, Canada, and Honduras
- D) Columbia, Mexico, and the United States

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

51) Which of the following is currently under negotiation by 34 countries in the Western Hemisphere?

- A) NAFTA
- B) FTAA
- C) Mercosur
- D) ASEAN

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

52) The North American Free Trade Agreement eliminated all of the following except _____.

- A) the need for import licensing
- B) tariffs on traded commodities
- C) customs user fees
- D) China's role as a U.S. trading partner

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

53) The Association of Southeast Asian Nations includes _____.

- A) the members of the European Union and India
- B) the members of NAFTA and CAFTA
- C) a membership of 10 Southeast Asian nations
- D) none of the above

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

54) Each of the following is a member of ASEAN except _____.

- A) Brunei
- B) Singapore
- C) Laos
- D) Japan

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

55) How many member nations belong to the African Union (AU)?

- A) 46
- B) 53
- C) 62
- D) 67

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

56) Nepal belongs to which of the following regional trade alliances?

- A) EU
- B) SAARC
- C) AU
- D) ASEAN

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

57) The World Trade Organization evolved from which of the following?

- A) GATT
- B) Mercosur
- C) UNIDIR
- D) Marshall Plan

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

58) The World Trade Organization is centered around which of the following?

- A) public protests
- B) economic sanctions
- C) trade agreements
- D) peace treaties

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

59) International businesses have been around since about what date?

- A) the fifteenth century
- B) the seventeenth century
- C) the nineteenth century
- D) the twentieth century

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

60) Multinational corporations (MNCs) have only become commonplace since approximately what date?

- A) mid-1960s
- B) mid-1970s
- C) 1945
- D) mid-1980s

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

61) Multidomestic corporations are known for _____.

- A) ethnocentric attitudes
- B) polycentric attitudes
- C) multicentric attitudes
- D) having their holdings in one country

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

62) Which of the following is an MNC that tailors marketing strategies to the host country's unique characteristics?

- A) borderless organization
- B) global company
- C) multidomestic corporation
- D) transnational organization

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

63) Multidomestic corporations _____.

- A) maintain operations in multiple countries, but do not allow managers in each country to make their own decisions
- B) utilize ethnocentric attitudes in financial decisions, but favor polycentric views in human resources issues
- C) utilize decentralization to make decisions in management in local countries
- D) follow the tastes, preferences, and values of the home country

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

64) When an organization drops its structure based on countries and reorganizes according to industries, it is pursuing a global organizational operation known as _____.

- A) ethnocentrism
- B) polycentrism
- C) borderless organization
- D) multinational organization

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

65) Transnational organizations are also known as _____.

- A) ethnocentric organizations
- B) polycentric organizations
- C) borderless organizations
- D) multidomestic organization

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

66) Transnational organizations are focused on _____.

- A) increasing efficiency
- B) developing INVs
- C) reinforcing structural divisions
- D) all of the above

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

67) Which of the following types of business is global from its inception?

- A) international new venture
- B) global company
- C) born global
- D) joint economic market

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

68) Which of the following is a basic definition of a multinational corporation?

- A) a company that maintains operations in multiple countries
- B) a company that maintains franchises in multiple countries
- C) a company that has multiple home bases and manufacturing plants
- D) a company that pays corporate taxes in at least two countries

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

69) Which of the following is the basic difference between multidomestic corporations and global companies?

- A) Multidomestic corporations typically do business with more countries than global companies do.
- B) Multidomestic corporations are run by global companies but must be owned by a local, national company.
- C) Multidomestic corporations decentralize management to the local country, while global companies centralize management in the home country.
- D) Multidomestic corporations pay more in taxes than global companies do.

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

70) Which of the following is not a feature of a multidomestic corporation?

- A) Decision making takes place at the local level.
- B) Nationals are typically hired to run operations in each country.
- C) Marketing strategies are tailored to each country's culture.
- D) Products are manufactured only in the local country.

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

71) Which of the following types of global organizations reflects the geocentric attitude?

- A) multidomestic corporation
- B) transnational organization
- C) global company
- D) regional organization

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

72) Importing and exporting represent a more significant global investment than which of the following?

- A) licensing
- B) franchising
- C) global sourcing
- D) strategic alliance

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

73) In an attempt to be more aggressive, a company might export and import more. These steps usually require _____.

- A) minimal investment and minimal risk
- B) conducting business in a polycentric manner
- C) the establishment of strategic alliances
- D) abnormal operations for a geocentric organization

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

74) Franchising is primarily used by _____.

- A) political organizations
- B) manufacturing organizations
- C) service organizations
- D) legal organizations

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

75) In the later stages of doing business globally, if an organization is ready to make a more direct investment, it might utilize _____.

- A) foreign subsidiaries
- B) strategic alliances
- C) joint ventures
- D) all of the above

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

76) An international company is most likely to develop foreign subsidiaries _____.

- A) before it develops licensing agreements
- B) before it develops franchising agreements
- C) before it begins importing and exporting
- D) after it establishes strategic alliances

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

77) The process of making products domestically and selling them abroad is known as _____.

- A) exporting
- B) importing
- C) franchising
- D) joint ventures

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

78) Which of the following is usually found in the final stage of an organization's global evolution?

- A) exporting its products to other countries
- B) cross-culturally training its managers
- C) establishing strategic alliances with partners
- D) licensing another firm to use its brand name

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

79) Joint ventures are a type of _____.

- A) license
- B) franchise
- C) foreign subsidiary
- D) strategic alliance

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

80) Foreign subsidiaries are usually managed _____.

- A) through local control only
- B) through centralized control only
- C) through local or centralized control
- D) none of the above

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

81) A domestic firm and a foreign firm sharing the cost of developing new products or building production facilities in a foreign country is called a _____.

- A) franchising agreement
- B) joint venture
- C) foreign subsidiary
- D) brokering agreement

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

82) Which of the following would most likely occur last in an organization's global evolution?

- A) cross-cultural training of the company's managers
- B) sending domestic employees on regular foreign business trips
- C) hiring foreign brokers to represent the organization's product line
- D) creating a joint venture with suppliers around the globe

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

83) _____ present(s) the greatest risk to an organization going international.

- A) Joint ventures
- B) Strategic alliances
- C) Licensing
- D) Foreign subsidiaries

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

84) Which of the following is not considered to be one of the three major areas of significant challenge for an American manager working in a foreign country?

- A) legal environment
- B) economic environment
- C) cultural environment
- D) religious environment

Answer: D

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

85) From an economic standpoint, a threat to the global manager is _____.

- A) widely fluctuating inflation rates in foreign countries
- B) marginal revenues exceeding marginal costs
- C) a stable exchange rate between currencies in various countries
- D) all of the above

Answer: A

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

86) Compared to many other countries, the U.S. legal-political environment is considered _____.

- A) radical
- B) stable
- C) unstable
- D) fixed

Answer: B

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

87) Compared to many other countries, changes to the U.S. legal-political environment are considered _____.

- A) very fast and effective
- B) fast, but not efficient
- C) radical
- D) slow

Answer: D

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

88) The reason that a nation's cultural differences are the most difficult to gain information about is because _____.

- A) people tend to be sensitive about their own culture
- B) providing this information to foreign organizations reduces a competitive business advantage
- C) there is little written on the issue
- D) "natives" are least capable of explaining the unique characteristics of their own culture

Answer: D

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

89) Which of the following developed a valuable framework to help managers better understand differences between national cultures?

- A) Milton Friedman
- B) Michael Porter
- C) Geert Hofstede
- D) Abraham Maslow

Answer: C

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

90) _____ is a cultural dimension in which people expect others in their group to look after them and protect them when they are in trouble.

- A) Power distance
- B) Collectivism
- C) Achievement
- D) Uncertainty avoidance

Answer: B

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

91) Which of the following would you find in a country with a high power distance?

- A) Society accepts narrow differences in organizations.
- B) Title carries little power, but status power is high.
- C) There is little respect for those in authority.
- D) Titles, rank, and status carry a lot of weight.

Answer: D

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

92) The GLOBE framework assesses how many cultural dimensions?

- A) 5
- B) 6
- C) 9
- D) 12

Answer: C

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

93) _____ is a cultural measure of the degree to which people will tolerate risk and unconventional behavior.

- A) Power distance
- B) Uncertainty avoidance
- C) Achievement
- D) Nurturing

Answer: B

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

94) Organizations in which of the following cultures are likely to have formal rules and little tolerance for unusual ideas and behaviors?

- A) high power distance
- B) low power distance
- C) high uncertainty avoidance
- D) low uncertainty avoidance

Answer: C

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

95) In a society with a highly _____ culture, strong value is placed on relationships and concern for others.

- A) collectivist
- B) achievement-oriented
- C) nurturing
- D) uncertainty avoidant

Answer: C

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

96) _____ is a national culture attribute describing the extent to which societal values are characterized by assertiveness and materialism.

- A) Power distance
- B) Uncertainty avoidance
- C) Achievement orientation
- D) Long-term orientation

Answer: C

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

97) _____ is a national culture attribute that places a high value on future occurrences.

- A) Power distance
- B) Uncertainty avoidance
- C) Long-term orientation
- D) Leisure orientation

Answer: C

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

98) Which of the following are most alike in terms of individualism, power distance, and uncertainty avoidance?

- A) Singapore and Sweden
- B) Australia and England
- C) France and Greece
- D) United States and Venezuela

Answer: B

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

First Visit Abroad (Scenario)

Bill Sanderson is halfway over the Atlantic and is excited about his first European business trip. Bill is confident about this trip but is somewhat concerned about the strange habits and foreign languages he will encounter. "If only they would just speak English like everyone else!" Bill thinks.

99) Bill's tendency to view the world only through his U.S.-based perspective is an international business problem known as which of the following?

- A) nondiversity
- B) discrimination
- C) parochialism
- D) monolingualism

Answer: C

Diff: 2 Page Ref: 71

Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

100) If Bill is to become successful as a global manager, he must _____.

- A) attempt to change other cultures to American ways
- B) learn and accept other cultures
- C) compete internationally but remain in the United States
- D) learn to manipulate other business cultures

Answer: B

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

Cultural Training (Scenario)

Jane wants to expand her career opportunities in international operations of a company. She is 19 years old and currently attends a university. She has only lived in her current country and has never traveled to foreign countries.

101) In talking with her advisor at the university, Jane decides she probably has a(n) _____ attitude, as she has never traveled abroad and only relates well to people from her home country.

- A) culturally focused
- B) polycentric
- C) ethnocentric
- D) geocentric

Answer: C

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Topic: What's Your Global Perspective?

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102) Jane becomes involved with an international student association to give her experiences that will allow her to understand the views of students from other countries. She is trying to become more _____ in her attitude.

- A) parochialistic
- B) polycentric
- C) ethnocentric
- D) geocentric

Answer: D

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Topic: What's Your Global Perspective?

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A Foreign Alliance Talk (Scenario)

As manager of the international department for your company, you have been asked by the local Chamber of Commerce to deliver a speech on foreign trade. The chamber president even goes so far as to say "and be sure to include the EU, NAFTA, and all that stuff because we're afraid that Ross Perot is right□all the good jobs will leave the United States." As you pour over your notes, you try to choose the best information to present in the allotted half hour.

103) You plan to explain during your talk that the acronyms EU, NAFTA, FTAA, and ASEAN refer to _____.

- A) regional trade alliances
- B) foreign airlines
- C) soccer teams in Europe
- D) new multinational corporations

Answer: A

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Topic: Understanding the Global Environment

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104) One of the hottest topics of your talk will be NAFTA. One of the points that you emphasize is that _____.

- A) the United States has definitely come out the worst of the three nations
- B) Canada is profiting the most in this arrangement
- C) the expansion of NAFTA has benefited North America's competitiveness and economic power
- D) U.S. high-tech companies, such as computer manufacturers, have been hit hard by the NAFTA provisions

Answer: C

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Topic: Understanding the Global Environment

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Business Expansion Plan (Scenario)

As a business expansion director, Shana's goal is to scout out potential locations and basically provide input on how her company should proceed with its planned expansion to Europe. There are many options, including maintaining the businesses head office in the United States and sending over company representatives when necessary or establishing separate operations facilities abroad and hiring locals as managers.

105) If Shana's company decides to open another company in France but maintain its management in the United States, it would be considered a _____.

- A) transnational corporation
- B) global company
- C) regional trade alliance
- D) multidomestic corporation

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

106) If Shana's company decides to open a completely new operation in Germany, tailoring the company to local customs and marketing strategies and hiring local managers, they would be considered a _____.

- A) transnational corporation
- B) global company
- C) regional trade alliance
- D) multidomestic corporation

Answer: D

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

107) If Shana's company eliminates country-designated locations and reorganizes based on industry groups, it would best be considered a _____.

- A) borderless organization
- B) strategic partnership
- C) global business alliance
- D) multidomestic corporation

Answer: A

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Topic: Understanding the Global Environment

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108) One section of Shana's company's business plan involves strategic alliances and joint ventures. This section is most likely focused on the _____ phase of the company's global business expansion.

- A) legal
- B) middle
- C) final
- D) preliminary

Answer: C

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Topic: Understanding the Global Environment

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The European Expansion (Scenario)

You have been hired by a company to look at the ways to best move the company into the European market, but you have to first determine what kind of company you are dealing with.

109) If the company that has hired you is primarily used by manufacturing organizations, it is a _____.

- A) licensing company
- B) franchising company
- C) strategic alliance
- D) joint venture

Answer: A

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Topic: Understanding the Global Environment

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110) If the company that has hired you is really a partnership between an organization and a foreign company, in which both share resources and knowledge in developing new products, then it is a _____.

- A) licensing company
- B) franchising company
- C) strategic alliance
- D) joint venture

Answer: C

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Topic: Understanding the Global Environment

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Software Entrepreneurial Venture (Scenario)

Theodore and James have formed an entrepreneurial venture to develop software for banks and other financial institutions. Their company is growing, but in looking for opportunities in the future, they decide to explore international operations.

111) The international operations in their firm continue to grow. Theodore and James have come to see that decentralized management using foreign nationals to run operations in the host countries works well. Their firm has developed into a(n) _____ organization.

- A) transnational
- B) multidomestic
- C) borderless
- D) franchise

Answer: B

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

112) Theodore and James decide to allow a firm in Europe to use the rights to their software, its brand name, and software specifications in return for a lump-sum payment. The firm is a service organization that plans to use the software to assist its customers. This agreement is known as a _____.

- A) strategic alliance
- B) licensing agreement
- C) franchise
- D) foreign subsidiary

Answer: C

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

113) John found out that, compared to managers in many other countries, U.S. managers are accustomed to legal and political systems that are _____.

- A) stable
- B) fixed
- C) neutral
- D) unaffiliated

Answer: A

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Topic: Managing in a Global Environment

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A New Assignment (Scenario)

Mary was given a new assignment to head up the European division for her multinational organization. Before leaving the United States to take up her new assignment she needs training to manage and understand the European division.

114) Mary found that wealthier nations, such as the United States, tend to _____.

- A) have high uncertainty avoidance
- B) be individualistic
- C) be collectivist
- D) have high power distance

Answer: B

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

115) Mary also found out that in some countries, such as Venezuela, titles, rank, and status carry a lot of weight. These countries have high _____.

- A) uncertainty avoidance
- B) nurturing
- C) collectivist
- D) power distance

Answer: D

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

116) Mary learned that European cultures did not have high anxiety, nervousness, and stress. This would examples of having high _____.

- A) uncertainty avoidance
- B) achievement orientation
- C) future orientation
- D) power distance

Answer: A

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

117) European multinational firms commonly use a _____ approach because they are operating in multiple countries with different institutional environments.

- A) supply chain
- B) transnational
- C) global approach
- D) multidomestic approach

Answer: D

Diff: 2 Page Ref: 76

Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

118) Mary needed to learn about each country's values and attitudes shared by individual which referred to their _____

- A) diverse culture
- B) global culture
- C) national culture
- D) high-context culture

Answer: C

Diff: 2 Page Ref: 81

Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

119) Mary also needed to learn about regional trading alliances and the impact on her division. The alliance that had a direct impact on her division was _____

- A) EU
- B) NAFTA
- C) SAARC
- D) WTO

Answer: A

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

The Overseas Assignment (Scenario)

Christopher has a degree in business administration and has worked for a major corporation for 5 years. He is offered a chance to work in another country.

120) Through research on the Internet, Christopher finds that in this country's social framework, people are expected to look after others in their family (or organization) and protect them when they are in trouble. This society tends to support _____.

- A) collectivism
- B) parochialism
- C) individualism
- D) monotheism

Answer: A

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

121) This new country's people are favorably influenced by Christopher's job title and the status given by his experience of having worked in the home office for 5 years. This country has a high _____.

- A) interest in attracting foreign executives
- B) sense of uncertainty avoidance
- C) uncertainty avoidance
- D) power distance

Answer: D

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

122) Through talking to executives in the international division, Christopher realizes that his home country has the highest individualism, low power distance and uncertainty avoidance, and a strong achievement orientation. He probably lives in _____.

- A) Great Britain
- B) Japan
- C) the United States
- D) Canada

Answer: C

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

123) In a short essay, define parochialism. Next, discuss why parochialism is a problem for U.S. managers and discuss reasons why it is important to overcome parochialism in today's business environment.

Answer: Parochialism is the process of viewing the world solely through one's own eyes and perspectives. People with a parochial attitude do not recognize that others have different ways of living and working. Parochialism is a significant obstacle for managers working in a global business world. If managers fall into the trap of ignoring others' values and customs and rigidly applying an attitude of "ours is better than theirs" to foreign cultures, they'll find it difficult to compete with other organizations around the world that *are* seeking to understand foreign customs and market differences.

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

124) In a short essay, list and discuss the three attitudes managers might have toward international business.

Answer: a. Ethnocentric attitude—the parochialistic belief that the best work approaches and practices are those of the home country. Managers with an ethnocentric attitude believe that people in foreign countries do not have the needed skills, expertise, knowledge, or experience to make the best business decisions as people in the home country do. They wouldn't trust foreign employees with key decisions.

b. Polycentric attitude—the view that managers in the host country know the best work approaches and practices for running their business. Managers with a polycentric attitude view every foreign operation as different and hard to understand. Thus, these managers are likely to leave their foreign facilities alone and let foreign employees figure out how best to do things.

c. Geocentric attitude—this is a world-oriented view that focuses on using the best approaches and people from around the globe. Managers with this type of attitude believe that it's important to have a global view both at the organization's headquarters in the home country and in the various foreign work facilities. Major issues and decisions are viewed globally by looking for the best approaches and people regardless of origin.

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Topic: What's Your Global Perspective?

Skill: AACSB: Globalizations

125) In a short essay, discuss the challenges and opportunities of an organization using strategic alliances to enter foreign markets..

Answer: The most common strategy for international expansion has become strategic alliances; which is, cooperative arrangements between two firms in to share resources to accomplish a common desirable goal. By forming strategic alliances, organizations can share the costs and risks of entering new markets. In addition, strategic alliances also allow an organization to outsource some of its functions, which would help control costs and enhance its competitive abilities in global business.

Not all strategic alliances are successful. The level of trust and the way an alliance is managed are critical to success. Outsourcing alliances often fail due to differences in culture and language. A country's institutional environment also affects strategic alliances. In addition to the particular institutions in place, the stability of those institutions is important, because economic uncertainty can stunt profit potential, making a new market more risky and less desirable.

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

126) In a short essay, explain the differences among a multidomestic corporation, a global company, and a borderless organization. Include examples of companies for each of the types of organizations discussed.

Answer: a. A **multidomestic corporation** is a multinational corporation that decentralizes management and other decisions to the local country. This type of organization doesn't attempt to replicate its domestic successes by managing foreign operations from its home country. Instead, local employees typically are hired to manage the business and marketing strategies are tailored to that country's unique characteristics. This type of globalization reflects the polycentric attitude. For example, Switzerland-based Nestle can be described as a multidomestic corporation. With operations in almost every country on the globe, its managers match the company's products to its consumers. In parts of Europe, Nestle sells products that are not available in the United States or Latin America. Another example of a multidomestic is Frito-Lay, a division of PepsiCo, which markets a Dorito chip in the British market that differs in both taste and texture from the U.S. and Canadian version. Many consumer companies manage their global businesses using this approach because they must adapt their products and services to meet the needs of the local markets.

b. A second type of MNC, called a **global company** centralizes its management and other decisions in the home country. These companies treat the world market as an integrated whole and focus on the need for global efficiency. Although these companies may have considerable global holdings, management decisions with company-wide implications are made from headquarters in the home country. This approach to globalization reflects the ethnocentric attitude. Some examples of companies that can be considered global companies include Sony, Deutsche Bank AG, and Merrill Lynch.

c. Other companies are going international by eliminating structural divisions that impose artificial geographical barriers. This type of MNC is often called a **transnational** or **borderless organization**, and reflects a geocentric attitude. For example, IBM dropped its organizational structure based on country and reorganized into industry groups. And Spain's Telefonica eliminated the geographic divisions between Madrid headquarters and its widespread phone companies. The company will be organized, instead, along business lines such as Internet services, cellular phones, and media operations. Managers choose this form of international organization to increase efficiency and effectiveness in a competitive global marketplace.

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Topic: Understanding the Global Environment

Skill: AACSB: Globalizations

127) In a short essay, describe how managers are affected by the global economic environment. Name the four major global environmental factors that affect management, and explain why each is important.

Answer: a. **Type of economy**—the two major types of economies are market economies and command economies. A **market economy** is one in which resources are primarily owned and controlled by the private sector. A **command economy** is one in which economic decisions are planned by a central government. Why would managers need to know about a country's economic system? Because it has the potential to constrain decisions and actions. Other economic issues a manager might need to understand include currency exchange rates, inflation rates, and diverse tax policies.

b. **Currency strength**—a global firm's profits can vary dramatically depending on the strength of its home currency and the currencies of the countries in which it operates. For instance, China's revaluation of the yuan in the summer of 2005 was cheered by General Motors even though a stronger yuan could raise the costs of Chinese-made parts that GM buys. Why would GM be happy about higher costs? Because a rising Chinese yuan could also lead to a stronger Japanese yen, which could hurt rival Toyota Motor Corporation. Any revaluation of a nation's currency can affect managers' decisions and the level of a company's profits.

c. **Inflation**—inflation means that prices for products and services are going up. But it also affects interest rates, exchange rates, the cost of living, and the general confidence in a country's political and economic system. In most developing countries, consumer prices are rising more slowly than they were in the late 1990s, although inflation rates can, and do, vary widely. The *World Factbook* shows country inflation rates ranging from a negative 3.6 percent (Nauru) to a whopping positive 246 percent (Zimbabwe). Managers need to monitor inflation trends so they can make good decisions and anticipate any possible changes in a country's monetary policies.

d. **Diverse tax policies**—diverse tax policies are a major worry for a global manager. Some host countries are more restrictive than the organization's home country. Others are far more lenient. About the only certainty is that tax rules differ from country to country. Managers need exact information on the various tax rules in countries in which they operate to minimize their business's overall tax obligation.

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Topic: Managing in a Global Environment

Skill: AACSB: Globalizations

128) In a short essay, list and explain Hofstede's five dimensions of national culture.

Answer: a. Individualism versus collectivism □ individualism refers to a loosely knit social framework in which people are supposed to look after their own interests and those of their immediate family. They can do so because of the large amount of freedom that an individualistic society allows its citizens. The opposite is collectivism, which is characterized by a tight social framework in which people expect others in groups of which they are a part to look after them and to protect them when they are in trouble. In exchange, they feel they owe absolute loyalty to the group.

b. Power distance □ Hofstede used the term *power distance* as a measure of the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally. A large power distance society accepts wide differences in power in organizations. Employees show a great deal of respect for those in authority. Titles, rank, and status carry a lot of weight. When negotiating in large power distance countries, companies find that it helps to send representatives with titles at least as impressive as those with whom they are bargaining do. In contrast, a low power distance society plays down inequalities as much as possible. Superiors still have authority, but employees are not afraid of or in awe of the boss.

c. Uncertainty avoidance □ uncertainty avoidance is a cultural measure of the degree to which people tolerate risk and unconventional behavior. A society that's high in uncertainty avoidance is characterized by a high level of anxiety among its people, which manifests itself in nervousness, high stress, and aggressiveness. Because people in these cultures feel threatened by uncertainty and ambiguity, political and social mechanisms are created to provide security and to reduce risk. Organizations in these cultures are likely to have formal rules and little tolerance for unusual ideas and behaviors.

d. Achievement and nurturing □ the fourth cultural dimension, like individualism and collectivism, is a dichotomy. Achievement is the degree to which values such as assertiveness, the acquisition of money and material goods, and competition prevail. Nurturing is a national cultural attribute that emphasizes relationships and concern for others.

e. Long-term and short-term orientation □ people in long-term orientation cultures look to the future and value thrift and persistence. A short-term orientation values the past and present and emphasizes respect for tradition and fulfilling social obligations.

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Topic: Managing in a Global Environment

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129) In a short essay, discuss the dimensions of the GLOBE framework. Describe how each dimension compares to Hofstede's five dimensions of national culture.

Answer: The **GLOBE** (Global Leadership and Organizational Behavior Effectiveness) research program, which began in 1993, continues to investigate cross-cultural leadership behaviors. Using data from over 18,000 middle managers in 62 countries, the GLOBE research team identified 9 dimensions on which national cultures differ:

- a. *Assertiveness*: The extent to which a society encourages people to be tough, confrontational, assertive, and competitive versus modest and tender. This is essentially equivalent to Hofstede's achievement dimension.
- b. *Future orientation*: The extent to which a society encourages and rewards future-oriented behaviors such as planning, investing in the future, and delaying gratification. This is essentially equivalent to Hofstede's long-term/short-term orientation.
- c. *Gender differentiation*: The extent to which a society maximizes gender role differences as measured by how much status and decision-making responsibilities women have. This dimension has no equivalent in Hofstede's framework.
- d. *Uncertainty avoidance*: Similar to Hofstede's description, the GLOBE team defined this dimension as a society's reliance on social norms and procedures to alleviate the unpredictability of future events.
- e. *Power distance*: As did Hofstede, the GLOBE team defined this as the degree to which members of a society expect power to be unequally shared.
- f. *Individualism/collectivism*: Again, this term was defined, as Hofstede did, as the degree to which individuals are encouraged by societal institutions to be integrated into groups within organizations and society.
- g. *In-group collectivism*: In contrast to focusing on societal institutions, this dimension encompasses the extent to which members of a society take pride in membership in small groups, such as their family and circle of close friends, and the organizations in which they're employed. This dimension has no equivalent in Hofstede's framework.
- h. *Performance orientation*: This refers to the degree to which a society encourages and rewards group members for performance improvement and excellence. This dimension is similar to Hofstede's achievement orientation.
- i. *Humane orientation*: This is defined as the degree to which a society encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others. This is similar to Hofstede's nurturing dimension.

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130) In a short essay discuss the methods firms can use to enter new global markets.

Answer: Firms can enter new foreign markets in the following ways: exporting products to the new market, licensing products to local firms, acquiring or creating strategic alliances with local firms, or establishing operations within the new market. Exporting involves manufacturing products in a firm's home country and shipping them to a foreign market. Licensing arrangements allow a local firm in the new market to manufacture and distribute a foreign firm's products. Strategic alliances are cooperative arrangements between two firms in which they agree to share resources to accomplish a mutually desirable goal. Acquisitions of local firms made by foreign firms to enter a new international market are called cross-border acquisitions. When a company creates a wholly owned subsidiary in a foreign country, it makes a direct investment to establish a business that it solely owns and controls there.

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