

## Chapter 1 Multinational Management in a Changing World

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### MULTIPLE CHOICE

1. Businesses of all sizes are increasingly looking for global opportunities because
  - a. Trade barriers are falling.
  - b. Money is flowing more freely across countries.
  - c. The world is becoming one interconnected economy.
  - d. All of the above.

ANS: D

AACSB Analytic, Strategy

PTS: 1

2. Globalization is
  - a. The trend of businesses expanding beyond their domestic boundaries.
  - b. Increasing average temperature over the globe.
  - c. The increased use of global satellite communication systems.
  - d. A strategy of developing unique products for each nation in the world.

ANS: A

AACSB Reflective thinking, Environmental influence

PTS: 1

3. Which of the following would not be considered a basic source of globalization?
  - a. Similar customer needs
  - b. Falling of trade barriers
  - c. Advances in communication technology
  - d. Differentiation among countries

ANS: D

AACSB Reflective Thinking, Environmental influence

PTS: 1

4. Multinational management is
  - a. A strategy of developing similar strategies for different countries.
  - b. The trend of business expanding beyond local boundaries.
  - c. The formulation and design of management systems to successfully take advantage of international opportunities and respond to international threats.
  - d. None of the above

ANS: C

AACSB Reflective thinking, Strategy

PTS: 1

5. According to the text, the multinational company
  - a. Is required to be a public corporation.
  - b. Is any company that engages in any business function across borders.
  - c. Must sell overseas to be a true multinational.
  - d. Must be large.

ANS: B

AACSB Reflective thinking, Strategy

PTS: 1

6. Which of the following is not a classification of economic systems noted in the text?
- Domestic economies
  - Transition economies
  - LDCs
  - Emerging markets

ANS: A

AACSB Reflective thinking, Environmental influence

PTS: 1

7. Transition economies are
- Mature economies with substantial per capita GDP and international trade.
  - Led by Hong Kong, Singapore, South Korea, and Taiwan.
  - Countries changing from government-controlled or communistic economies to a more free market capitalism.
  - None of the above

ANS: C

AACSB Reflective thinking, Environmental influence

PTS: 1

8. Emerging markets include
- OECD countries.
  - Brazil, China, Russia, India.
  - Korea, Japan and USA.
  - Hungary, Poland, Slovakia.

ANS: B

AACSB Reflective thinking, Environmental influence

PTS: 1

9. Developing economies are
- Mature economies with substantial per capita GDP and international trade.
  - Hong Kong, Singapore, and Taiwan.
  - Countries in the process of changing their economies from government-controlled to a more free market capitalism.
  - None of the above

ANS: B

AACSB Reflective thinking, Environmental influence

PTS: 1

10. Emerging markets are defined as those that are:
- Growing rapidly.
  - Transitioning from a communist-controlled economy to capitalism.

- c. Seen to have impact only sporadically.
- d. Enjoying a mature economy.

ANS: A

AACSB Reflective thinking, Environmental influence

PTS: 1

11. Major regional trade agreements include all of the following EXCEPT
- a. EU.
  - b. NAFTA.
  - c. APEC.
  - d. PROTEC.

ANS: D

AACSB Reflective thinking, Legal responsibilities

PTS: 1

12. The economic agreement that links the US, Canada, and Mexico in an economic bloc that allows freer exchange of goods and services is known as the
- a. EU.
  - b. OPEC.
  - c. APEC.
  - d. None of the above

ANS: D

AACSB Reflective thinking, Legal responsibilities

PTS: 1

13. The World Trade Organization:
- a. Is a major trading company.
  - b. Succeeded the GATT agreements.
  - c. Collects duties for member countries.
  - d. Is a consulting group for companies who wish to engage in international trade.

ANS: B

AACSB Reflective thinking, Legal responsibilities

PTS: 1

14. Examples of developed economies would include:
- a. The U.S. and Japan.
  - b. Hungary and Poland.
  - c. Argentina and Brazil.
  - d. Hong Kong and Singapore.

ANS: A

AACSB Reflective thinking, Creation of value

PTS: 1

15. According to your text, FDI means
- a. Foreign development initiatives.

- b. Various investment policies of the U.S. government.
- c. A foreign company has an ownership position in a company in another country.
- d. A type of international negotiation strategy.

ANS: C

AACSB Reflective thinking, Legal responsibilities

PTS: 1

16. The two forms of risk discussed in the text include
- a. Exchange rate risk and corruption risk.
  - b. Business risk and social risk.
  - c. Sales risk and employment risk.
  - d. Economic and political risk.

ANS: D

AACSB Reflective thinking, Environmental influence

PTS: 1

17. Economic risks discussed in the text include
- a. Anything a government might do or not do that might adversely affect a company.
  - b. The likelihood of losing money if one invests in stocks.
  - c. Exchange and interest rates.
  - d. Expropriating of foreign firms by the local government without any compensation.

ANS: C

AACSB Reflective thinking, Environmental influence

PTS: 1

18. Anything that a government might do to affect a multinational adversely is known as
- a. Exchange rate risk.
  - b. Business risk.
  - c. Sales risk.
  - d. Political risk.

ANS: D

AACSB Reflective thinking, Leadership

PTS: 1

- 19.. A global product or service is
- a. Adapted for each country's unique needs.
  - b. A similar product or service for all customers throughout the world.
  - c. A product or service that requires bilingual customers.
  - d. Products developed for use outside the country.

ANS: B

AACSB Reflective thinking, Creation of value

PTS: 1

20. Which of the following statements about the Internet and Information Technology is true?
- a. The Internet is benefiting companies worldwide.

- b. Electronic communications does not allow companies to communicate with locations around the world.
- c. Information technology is not encouraging a borderless financial market.
- d. Information technology does not allow the sharing of information around the world.

ANS: A

AACSB Technology, Information technology

PTS: 1

21. The free market reforms in emerging countries are creating a potential group of
- a. new competitors.
  - b. old competitors.
  - c. subsidized firms.
  - d. government companies.

ANS: A

AACSB Analytic, Environmental influence

PTS: 1

22. Which of the following statements is true about privatization?
- a. Developing nations have the highest rate of privatization.
  - b. The leading privatizers in the world do not face competition.
  - c. Privatization is the sale of private business to government investors.
  - d. Privatization is absent in transition economies.

ANS: A

AACSB Analytic, Legal responsibilities

PTS: 1

23. Global customers:
- a. Search for government-controlled enterprises.
  - b. Provide reduced government trade protection.
  - c. Search the world for their supplies without regard to national boundaries.
  - d. Encourage large firms to sell to them.

ANS: C

AACSB Reflective thinking, Strategy

PTS: 1

24. Global trade has this important effect on developing new competitors.
- a. It facilitates the transfer of technology, allowing former assemblers to become creators.
  - b. It facilitates the transfer of knowledge, allowing former builders to become assemblers.
  - c. It reduces competition.
  - d. It reduces rivalry.

ANS: A

AACSB Reflective thinking, Creation of value

PTS: 1

25. Global standards for products

- a. Are virtually impossible in technical industries.
- b. Refer to having one product standard for all countries.
- c. Puts companies at a strategic disadvantage.
- d. All of the above

ANS: B

AACSB Reflective thinking, Creation of value

PTS: 1

26. According to the experts cited in your text, the next generation of global managers will need all of the following, EXCEPT:
- a. Emotional intelligence
  - b. The ability to work with people from different cultural backgrounds
  - c. Poor negotiation skills
  - d. A local mindset

ANS: C

AACSB Reflective thinking, Leadership

PTS: 1

27. A global mindset requires managers to think globally but
- a. act locally.
  - b. have emotional intelligence.
  - c. understand national cultures.
  - d. need accomplished negotiation skills.

ANS: A

AACSB Reflective thinking, Leadership

PTS: 1

28. The strategic approach to multinational management
- a. Involves the development of one strategy for all countries.
  - b. Focuses on the skills and aptitudes that the next generation of global managers will need.
  - c. Is concerned with developing strategies that deal with operating in more than one country and culture.
  - d. None of the above

ANS: C

AACSB Reflective thinking, Strategy

PTS: 1

29. Which of the following statements about globalization is false?
- a. Globalization is a simple evolutionary process.
  - b. Not all economies of the world are benefiting equally from globalization.
  - c. Terrorism, wars and SARS has limited and even reversed the effects of globalization.
  - d. All of the above statements are false.

ANS: A

AACSB Reflective thinking, Environmental influence

PTS: 1

30. Aggressive multinational companies from emerging markets are
- expanding beyond their own borders.
  - staying within their own national borders.
  - help transition from a communist to a capitalist system.
  - unable to compete with western companies.

ANS: A

AACSB Reflective thinking, Strategy

PTS: 1

31. The set of technical standards developed by the International Organization for Standardization are known as
- ISO 92.
  - ISO 14000.
  - ISO 9001: 2000.
  - None of the above

ANS: C

AACSB Reflective thinking, Legal responsibilities

PTS: 1

32. One of the major reasons why global companies seek to develop standard products is because
- A standard product allows the company to save money because the same product can be sold anywhere.
  - A company can be more responsive to local cultural conditions.
  - It allows the company to invest more in research and development.
  - All of the above

ANS: A

AACSB Reflective thinking, Creation of value

PTS: 1

33. Emerging markets are
- Located mostly in Africa and South America.
  - Similar to developed economies.
  - Those countries between developed and developing countries that present tremendous opportunities.
  - have free trade areas.

ANS: C

AACSB Reflective thinking, Environmental influence

PTS: 1

34. Which of the following statements regarding the European Union is true?
- The European Union no longer exists.
  - The European Union includes Venezuela.
  - The European Union has a common currency.
  - All of the above are true.

ANS: C

AACSB Reflective thinking, Environmental influence

PTS: 1

35. Future trends indicate that \_\_\_\_\_ matters more than size of the company.
- a. location
  - b. price
  - c. flexibility
  - d. a high standard

ANS: C

AACSB Reflective thinking, Strategy

PTS: 1

36. According to the text, all of the following includes factors that will shape the future business environment EXCEPT
- a. Blurring of industry barriers.
  - b. Finding your niche.
  - c. Ability to find cheap labor.
  - d. Emphasis on innovation and the learning organization.

ANS: C

AACSB Reflective thinking, Strategy

PTS: 1

37. The best definition of multinational management includes which of these factors:
- a. The formulation of strategies and management systems.
  - b. Designed to take advantage of international opportunities.
  - c. And to respond to international threats.
  - d. All of the above.

ANS: D

AACSB Reflective thinking, Strategy

PTS: 1

38. Multinational companies are defined by all of these factors EXCEPT:
- a. Engaging in business beyond its domestic borders.
  - b. They may be of any size.
  - c. They may be corporations.
  - d. They must be public corporations.

ANS: D

AACSB Reflective thinking, Strategy

PTS: 1

39. The largest company in the world is:
- a. Wal-Mart Stores.
  - b. BP.
  - c. Royal Dutch Shell.
  - d. Chevron.



ANS: C  
AACSB Reflective thinking, Strategy

PTS: 1

40. The European Union consists of:
- 25 member nations, with the 26<sup>th</sup> scheduled to become a member in 2013.
  - 26 member nations, with the 27<sup>th</sup> scheduled to become a member in 2013.
  - 27 member nations, with the 28<sup>th</sup> scheduled to become a member in 2013.
  - 25 member nations, with no others scheduled to become a member in 2013.

ANS: C  
AACSB Reflective thinking, Strategy

PTS: 1

## ESSAY

1. Discuss how any company can become a multinational company. What are some of the options available to companies that allow them to use international markets and locations competitively?

ANS:

Answers will vary. Students should mention that the world is becoming one interconnected economy, and companies can compete through a number of options including importing, exporting, and FDI.

PTS: 1

2. Discuss some reasons why reductions in world trade barriers are driving the world toward a global economy.

ANS:

Answers will vary. Students should mention that lower trade barriers allow companies from different countries to buy, sell, and invest more easily and profitably.

PTS: 1

3. Discuss at least two major forces that are driving the world toward a global economy.

ANS:

Answers will vary. Students should address any two of the following trends: falling borders, growing cross-border trade and investment, the rise of global products and global customers, the growing use of the Internet and sophisticated information technology (IT), privatizations of formerly government-owned companies, the emergence of new competitors in the world market, and the rise of global standards for quality and production.

PTS: 1

4. How is the Internet and Information technology helping companies deal with a global economy? How is the Internet and Information technology helping small companies and even companies from poorer nations?

ANS:

Answers will vary. Students should state that the Internet makes it easy for companies to go global because anyone in the world can access any Web site. Thus, companies and individuals can shop and sell anywhere. Many small companies typically use the Internet to find suppliers or manufacturers in emerging markets, such as India or China. In addition, companies can more easily communicate world-wide.

PTS: 1

5. What is corporate social responsibility? Why are firms trying to become socially responsible?

ANS:

Answers will vary. Students should explain that companies need to pay attention to ethical issues such as climate change, environmental degradation and pollution, sweatshop conditions, and bribery. Students should understand that ignoring business ethics and corporate social responsibility issues can be perilous since multinationals can face significant backlash at home and in the international markets, suffering significant losses in terms of both reputation and sales.

PTS: 1

6. Discuss the differences between foreign trade and foreign direct investment.

ANS:

Answers will vary but should demonstrate students' understanding that foreign trade is simply buying and selling from companies in foreign countries, whereas FDI leads to deeper connections between firms from various countries.

PTS: 1

7. What are some of the reasons why globalization and free trade are being criticized? Do you think that free trade is helping all countries? Why or why not?

ANS:

Answers will vary. Some criticisms students might mention are that globalization favors the developed nations because free trade makes it more difficult for poorer nations to compete in a nonregulated world; that free trade encourages large multinational companies to move environmentally damaging production to poorer and often environmentally sensitive countries; and that free trade might lead to the migration of jobs from higher-wage countries to lower-wage countries.

PTS: 1

8. Look at the information on the world's leading exporters discussed in the text. Do you think these trends will continue in the future? Why?

ANS:

Answers will vary but should demonstrate the students' understanding of importing, exporting, FDI, and risk.

PTS: 1

9. Discuss the characteristics of a next generation of multinational managers. How can you develop those characteristics through education and experience?

ANS:

Answers will vary and should demonstrate how education and experience can help develop: a global mindset, emotional intelligence, a long-range perspective, the talent to motivate employees to excellence, negotiating skills, an understanding of national cultures, and a willingness to take overseas assignments.

PTS: 1

10. Why should multinational management be studied? What are some of the elements of a strategic approach to multinational management?

ANS:

Answers will vary. Students should emphasize some trends that will influence a company's strategic approach to multinational management, including a blurring of industry boundaries, the need for flexibility over size, the need to find a niche, an ability to deal with hypercompetition, and the importance of innovation and learning.

PTS: 1