

Chapter 4 Managing in a Global Environment

TRUE/FALSE QUESTIONS

WHAT'S YOUR GLOBAL PERSPECTIVE?

1. Americans tend to suffer from parochialism.
(True; moderate; p. 91; AACSB: Globalizations)
2. A drawback of the geocentric perspective is that it is inflexible.
(False; moderate; p. 91; AACSB: Globalizations)
3. Managers with an ethnocentric attitude would not trust foreign employees with key decisions or technology.
(True; moderate; p. 91; AACSB: Globalizations)
4. Managers with a polycentric attitude would view every foreign operation as difficult and hard to understand.
(True; moderate; p. 91; AACSB: Globalizations)
5. The polycentric attitude is a world-oriented view focusing on using the best approaches and people from around the globe.
(False; moderate; p. 91; AACSB: Globalizations)

UNDERSTANDING THE GLOBAL ENVIRONMENT

6. The European Union (EU) and the North American Free Trade Agreement (NAFTA) created regional trading and cooperative agreements.
(True; easy; pp. 94-95; 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.
(True; moderate; p. 94; AACSB: Globalizations)
8. The three original partners of NAFTA are the United States, Canada, and Mexico.
(True; easy; p. 95; AACSB: Globalizations)
9. Mercosur is a trading group made up of South American countries.
(True; moderate; p. 95; AACSB: Globalizations)
10. The Maastricht Treaty was signed in 1992.
(True; moderate; p. 94; AACSB: Globalizations)
11. The Maastricht Treaty created the EU.
(True; moderate; p. 94; AACSB: Globalizations)

12. Norway is a member of the European Union.
(False; difficult; p. 94; AACSB: Globalizations)

DOING BUSINESS GLOBALLY

13. Multinational corporations became commonplace in the mid-1960s.
(True; moderate; p. 97; AACSB: Globalizations)

14. Multinational corporations maintain significant operations in two or more countries simultaneously, but are based in one home country.
(True; moderate; p. 97; AACSB: Globalizations)

15. The transnational corporation characterizes the ethnocentric attitude toward the management of an organization's global business.
(False; difficult; p. 98; AACSB: Globalizations)

16. Transnational corporations run their businesses from their home country.
(False; easy; p. 98; AACSB: Globalizations)

17. When organizations first go international, they often start with global sourcing.
(True; moderate; p. 98; AACSB: Globalizations)

18. The process of exporting involves acquiring products made abroad and selling them domestically.
(False; moderate; p. 99; AACSB: Globalizations)

19. 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.
(True; moderate; p. 99; AACSB: Globalizations)

20. Licensing is commonly used by both manufacturing and services organizations.
(False; moderate; p. 99; AACSB: Globalizations)

21. In a strategic alliance, both partners share the risks and rewards of the alliance.
(True; moderate; p. 99; AACSB: Globalizations)

MANAGING IN A GLOBAL ENVIRONMENT

22. The legal-political environment is an important factor of managing in a foreign environment.
(True; easy; p. 101; AACSB: Globalizations)

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

(False; moderate; p. 102; AACSB: Globalizations)

24. The United States is an example of a command economy.

(False; moderate; p. 102; AACSB: Globalizations)

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

(False; difficult; p. 103; AACSB: Globalizations)

26. Mexico is an example of a collectivist nation.

(True; difficult; p. 106; AACSB: Globalizations)

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

(True; moderate; p. 106; AACSB: Globalizations)

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

(True; easy; p. 105; AACSB: Globalizations)

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

(True; easy; p. 106; AACSB: Globalizations)

30. GLOBE stands for Global Leadership and Organizational Behavior Effectiveness.

(True; easy; p. 105; AACSB: Globalizations)

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

(False; easy; p. 107; AACSB: Globalizations)

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

(True; easy; p. 108; AACSB: Globalizations)

MULTIPLE-CHOICE QUESTIONS

For each of the following choose the answer that *most completely* answers the question.

WHAT'S YOUR GLOBAL PERSPECTIVE?

33. In a global marketplace _____.

- a. the entire world is a marketplace
- b. national borders are irrelevant
- c. the potential for organizations to grow expands dramatically
- d. all of the above

(d; moderate; p. 90; AACSB: Globalizations)

34. 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

(b; difficult; p. 90; AACSB: Globalizations)

35. 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

(a; easy; p. 91; AACSB: Globalizations)

36. 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.

(d; moderate; p. 91; AACSB: Globalizations)

37. Ethnocentric views concentrate on their _____.
- a. home country
 - b. host country
 - c. world orientation
 - d. racial orientation

(a; easy; p. 92; AACSB: Globalizations)

38. 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

(c; moderate; p. 91; AACSB: Globalizations)

39. 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.

(d; moderate; p. 93; AACSB: Globalizations)

40. 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

(c; easy; p. 92; AACSB: Globalizations)

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

- a. geocentric
- b. polycentric
- c. ethnocentric
- d. transnational

(b; moderate; p. 92; AACSB: Globalizations)

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

- a. ethnocentric
- b. parochial
- c. polycentric
- d. geocentric

(d; easy; p. 92; AACSB: Globalizations)

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

- a. geocentric
- b. acculturated
- c. polylinguistic
- d. ethnocentric

(d; moderate; p. 92; AACSB: Globalizations)

44. 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

(b; easy; p. 92; AACSB: Globalizations)

45. The geocentric attitude is a _____ view.

- a. nationalistic
- b. world-oriented
- c. culture-bound
- d. franchise-based

(b; moderate; p. 92; AACSB: Globalizations)

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

- a. ethnocentric
- b. polycentric
- c. global
- d. parochial

(c; moderate; p. 93; AACSB: Globalizations)

UNDERSTANDING THE GLOBAL ENVIRONMENT

47. 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)

(b; moderate; p. 94; AACSB: Globalizations)

48. 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

(c; moderate; p. 94; AACSB: Globalizations)

49. 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

(d; moderate; p. 94; AACSB: Globalizations)

50. The _____ is a collection of countries that use a common currency.

- a. European Common Market
- b. European Union
- c. Western European Alliance
- d. Economic and Monetary Union (EMU)

(d; difficult; p. 94; AACSB: Globalizations)

51. The single EU currency is called the _____.

- a. franc
- b. franc-mark
- c. pound

d. euro

(d; moderate; p. 94; AACSB: Globalizations)

52. The European Union currently consists of _____.

- a. 12 countries
- b. 15 countries
- c. 10 countries
- d. 25 countries

(d; difficult; p. 94; AACSB: Globalizations)

53. Which of the following countries is not a member of the European Union?

- a. Iceland
- b. Ireland
- c. Cyprus
- d. Slovenia

(a; moderate; p. 94; AACSB: Globalizations)

54. _____ is expected to join the European Union in 2007.

- a. Hungary
- b. Estonia
- c. Romania
- d. Turkey

(c; moderate; p. 95; AACSB: Globalizations)

55. The executive body of the EU, based in Brussels, is known as the _____.

- a. Maastricht Office
- b. FTAA
- c. Euro Protectorate
- d. European Commission

(a; moderate; p. 95; AACSB: Globalizations)

56. 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

(b; moderate; p. 95; AACSB: Globalizations)

57. 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

(a; easy; p. 95; AACSB: Globalizations)

58. The North American Free Trade Agreement has resulted in which of the following?
- a. It increased imports from Mexico by 106 percent.
 - b. It eliminated duties on imports from Venezuela.
 - c. It increased exports to Canada by 62 percent.
 - d. It increased trade with the European Union.

(a; easy; p. 95; AACSB: Globalizations)

59. Which of the following is currently under negotiation by thirty-four countries in the Western Hemisphere?

- a. NAFTA
- b. FTAA
- c. Mercosur
- d. ASEAN

(b; difficult; p. 95; AACSB: Globalizations)

60. 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

(a; moderate; p. 95; AACSB: Globalizations)

61. 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

(c; moderate; p. 95; AACSB: Globalizations)

62. Each of the following is a member of ASEAN except _____.

- a. Brunei
- b. Singapore
- c. Laos
- d. Japan

(d; moderate; p. 96; AACSB: Globalizations)

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

- a. 46
- b. 53
- c. 62
- d. 67

(b; moderate; p. 96; AACSB: Globalizations)

64. Nepal belongs to which of the following regional trade alliances?

- a. EU
- b. SAARC
- c. AU
- d. ASEAN

(b; moderate; p. 96; AACSB: Globalizations)

65. The World Trade Organization evolved from which of the following?

- a. GATT
- b. Mercosur
- c. UNIDIR
- d. Marshall Plan

(a; moderate; p. 96; AACSB: Globalizations)

66. The World Trade Organization is centered around which of the following?

- a. public protests
- b. economic sanctions
- c. trade agreements
- d. peace treaties

(a; moderate; p. 96; AACSB: Globalizations)

67. The goal of the World Trade Organization is to _____.

- a. help develop environmental policy
- b. help regulate international markets
- c. help businesses conduct their business
- d. help reduce conflicts between nations

(a; moderate; p. 96; AACSB: Globalizations)

DOING BUSINESS GLOBALLY

68. 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

(c; difficult; p. 97; AACSB: Globalizations)

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

- a. mid-1960s
- b. mid-1970s
- c. 1945
- d. mid-1980s

(a; moderate; p. 97; AACSB: Globalizations)

70. Multidomestic corporations are known for _____.

- a. ethnocentric attitudes
- b. polycentric attitudes
- c. multicentric attitudes
- d. having their holdings in one country

(b; moderate; p. 97; AACSB: Globalizations)

71. 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

(c; moderate; pp. 97-98; AACSB: Globalizations)

72. Multidomestic corporations _____.

- a. maintain operations in multiple counties, 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

(c; moderate; p. 97; AACSB: Globalizations)

73. 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

(c; moderate; p. 98; AACSB: Globalizations)

74. Transnational organizations are also known as _____.

- a. ethnocentric organizations
- b. polycentric organizations
- c. borderless organizations
- d. multidomestic organization

(c; moderate; p. 98; AACSB: Globalizations)

75. Transnational organizations are focused on _____.

- a. increasing efficiency
- b. developing INVs
- c. reinforcing structural divisions
- d. all of the above

(a; moderate; p. 98; AACSB: Globalizations)

76. 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

(c; difficult; p. 98; AACSB: Globalizations)

77. 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

(a; difficult; p. 98; AACSB: Globalizations)

78. 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.

(c; difficult; pp. 97-98; AACSB: Globalizations)

79. 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.

(d; easy; pp. 97-98; AACSB: Globalizations)

80. Which of the following types of global organizations reflects the geocentric attitude?

- a. multidomestic corporation
- b. transnational organization
- c. global company
- d. regional organization

(b; difficult; p. 98; AACSB: Globalizations)

HOW ORGANIZATIONS GO GLOBAL

81. Importing and exporting represent a more significant global investment than which of the following?

- a. licensing
- b. franchising

- c. global sourcing
- d. strategic alliance

(c; easy; p. 98; AACSB: Globalizations)

82. 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

(a; easy; p. 99; AACSB: Globalizations)

83. Franchising is primarily used by _____.
- a. political organizations
 - b. manufacturing organizations
 - c. service organizations
 - d. legal organizations

(c; moderate; p. 99; AACSB: Globalizations)

84. 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

(d; moderate; p. 99-100; AACSB: Globalizations)

85. 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

(d; moderate; p. 100; AACSB: Globalizations)

86. The process of making products domestically and selling them abroad is known as _____.
- a. exporting
 - b. importing
 - c. franchising
 - d. joint ventures

(a; moderate; p. 99; AACSB: Globalizations)

87. 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

(c; moderate; p. 99; AACSB: Globalizations)

88. Joint ventures are a type of _____.

- a. license
- b. franchise
- c. foreign subsidiary
- d. strategic alliance

(d; moderate; p. 99; AACSB: Globalizations)

89. 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

(c; easy; p. 100; AACSB: Globalizations)

90. 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

(b; moderate; p. 99; AACSB: Globalizations)

91. 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

(d; moderate; p. 99; AACSB: Globalizations)

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

- a. Joint ventures
- b. Strategic alliances
- c. Licensing
- d. Foreign subsidiaries

(d; difficult; p. 99; AACSB: Globalizations)

MANAGING IN A GLOBAL ENVIRONMENT

93. 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?
- legal environment
 - economic environment
 - cultural environment
 - religious environment

(d; difficult; pp. 101-103; AACSB: Globalizations)

94. From an economic standpoint, a threat to the global manager is _____.
- widely fluctuating inflation rates in foreign countries
 - marginal revenues exceeding marginal costs
 - a stable exchange rate between currencies in various countries
 - all of the above

(a; moderate; p. 102; AACSB: Globalizations)

95. Compared to many other countries, the U.S. legal–political environment is considered _____.
- radical
 - stable
 - unstable
 - fixed

(b; moderate; p. 101; AACSB: Globalizations)

96. Compared to many other countries, changes to the U.S. legal–political environment are considered _____.
- very fast and effective
 - fast, but not efficient
 - radical
 - slow

(d; moderate; p. 101; AACSB: Globalizations)

97. The reason that a nation’s cultural differences are the most difficult to gain information about is because _____.
- people tend to be sensitive about their own culture
 - providing this information to foreign organizations reduces a competitive business advantage
 - there is little written on the issue
 - “natives” are least capable of explaining the unique characteristics of their own culture

(d; difficult; p. 104; AACSB: Globalizations)

98. 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

(c; moderate; p. 104; AACSB: Globalizations)

99. _____ 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

(b; easy; p. 105; AACSB: Globalizations)

100. 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.

(d; moderate; p. 105; AACSB: Globalizations)

101. The GLOBE framework assesses how many cultural dimensions?
- a. five
 - b. six
 - c. nine
 - d. twelve

(c; moderate; p. 106; AACSB: Globalizations)

102. _____ 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

(b; easy; p. 105; AACSB: Globalizations)

103. 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

(c; easy; p. 105; AACSB: Globalizations)

104. In a society with a highly _____ culture, strong value is placed on relationships and concern for others.
- collectivist
 - achievement-oriented
 - nurturing
 - uncertainty avoidant

(c; moderate; p. 105; AACSB: Globalizations)

105. _____ is a national culture attribute describing the extent to which societal values are characterized by assertiveness and materialism.
- Power distance
 - Uncertainty avoidance
 - Achievement orientation
 - Long-term orientation

(c; moderate; p. 105; AACSB: Globalizations)

106. _____ is a national culture attribute that places a high value on future occurrences.
- Power distance
 - Uncertainty avoidance
 - Long-term orientation
 - Leisure orientation

(d; moderate; p. 105; AACSB: Globalizations)

107. Which of the following are most alike in terms of individualism, power distance, and uncertainty avoidance?
- Singapore and Sweden
 - Australia and England
 - France and Greece
 - United States and Venezuela

(b; easy; p. 106; AACSB: Globalizations)

108. Which of the following scores the highest in terms of power distance?
- Greece
 - Sweden
 - Canada
 - England

(a; easy; p. 106; AACSB: Globalizations)

109. Which of the following dimension from the GLOBE framework has no equivalent in Hofstede's framework?
- future orientation
 - humane orientation

- c. gender differentiation
- d. uncertainty avoidance

(a; easy; p. 106; AACSB: Globalizations)

SCENARIOS AND QUESTIONS

For each of the following choose the answer that *most completely* answers the question.

WHAT'S YOUR GLOBAL PERSPECTIVE?

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.

110. 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

(c; moderate; p. 92; AACSB: Globalizations)

111. 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

(b; moderate; p. 93; 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.

112. Jane decides to enroll in a foreign language class to help her overcome her _____.
- a. parochialism
 - b. ethnocentric attitude
 - c. monolingualism
 - d. polycentric attitudes

(c; moderate; p. 91; AACSB: Globalizations)

113. 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
- (c; moderate; p. 92; AACSB: Globalizations)**

114. 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
- (d; difficult; p. 92; AACSB: Globalizations)**

UNDERSTANDING THE GLOBAL ENVIRONMENT

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.

115. 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
- (a; difficult; p. 94; AACSB: Globalizations)**

116. 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

(c; difficult; p. 95; AACSB: Globalizations)

117. You will also give participants a likely view of the future of the EU, which suggests that _____.
- a. it will likely disband by the year 2010
 - b. it is expected to merge with NAFTA by 2020
 - c. Bulgaria will probably join in 2007
 - d. Cuba has applied to join the EU

(c; moderate; p. 94; AACSB: Globalizations)

DOING BUSINESS GLOBALLY

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 business's head office in the United States and sending over company representatives when necessary or establishing separate operations facilities abroad and hiring locals as managers.

118. 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. a global company
 - c. a regional trade alliance
 - d. a multidomestic corporation

(b; moderate; p. 98; AACSB: Globalizations)

119. 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. a global company
 - c. a regional trade alliance
 - d. a multidomestic corporation

(d; moderate; p. 97; AACSB: Globalizations)

120. 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

(a; moderate; p. 98; AACSB: Globalizations)

121. 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

(c; moderate; p. 99; AACSB: Globalizations)

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.

122. 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

(a; moderate; p. 99; AACSB: Globalizations)

123. 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

(c; moderate; p. 99; AACSB: Globalizations)

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.

124. 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.
- transnational
 - multidomestic
 - borderless
 - franchise

(b; moderate; p. 97; AACSB: Globalizations)

125. A new and exciting opportunity has appeared that enables Theodore and James to form a joint venture with an insurance company in Japan. This will move their firm into the global role of an organization with a(n) _____.
- minimized level of business risk
 - indirect international investment
 - direct international investment
 - independent foreign subsidiary

(c; moderate; p. 99; AACSB: Globalizations)

126. 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 _____.
- strategic alliance
 - licensing agreement
 - franchise
 - foreign subsidiary

(c; difficult; p. 99; AACSB: Globalizations)

MANAGING IN A GLOBAL ENVIRONMENT

A Different View (Scenario)

John has done well in his company. In only 5 years, he has risen to the position of divisional manager. However, he knows that in order to rise to the level of senior management, he needs to spend some time managing abroad in his company's foreign subsidiaries. Although he has traveled to foreign countries on business and vacations, he has never lived abroad and wonders what differences he would find. He is considering applying for a new foreign-based position, but first wants to learn about some basic

differences between managing in the United States and managing in a foreign country. He researched the topic of international management and found many helpful facts about countries and their people.

127. 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

(a; easy; p. 101; AACSB: Globalizations)

128. John found out that wealthier nations, such as the United States, tend to _____.
- a. have high uncertainty avoidance
 - b. be individualistic
 - c. be collectivist
 - d. have large power distance

(b; moderate; p. 106; AACSB: Globalizations)

129. John also found out that in some countries, such as Venezuela, titles, rank, and status carry a lot of weight. These countries have a large _____ cultures.
- a. uncertainty avoidance
 - b. nurturing
 - c. collectivist
 - d. power distance

(d; moderate; p. 106; AACSB: Globalizations)

130. John knew that he did not want to manage in a country where the people have high anxiety, nervousness, and stress. He will, therefore, try to avoid countries characterized as having high _____.
- a. uncertainty avoidance
 - b. achievement orientation
 - c. future orientation
 - d. power distance

(a; moderate; p. 105; 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.

131. 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

(a; moderate; p. 105; AACSB: Globalizations)

132. 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 large _____.

- a. interest in attracting foreign executives
- b. sense of uncertainty avoidance
- c. uncertainty avoidance
- d. power distance

(d; difficult; p. 105; AACSB: Globalizations)

133. 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

(c; difficult; p. 106; AACSB: Globalizations)

ESSAY QUESTIONS

WHAT'S YOUR GLOBAL PERSPECTIVE?

134. 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.

(easy; pp. 91-92; AACSB: Globalizations)

135. 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.

(moderate; pp. 92-93; AACSB: Globalizations)

UNDERSTANDING THE GLOBAL ENVIRONMENT

136. In a short essay, describe three major regional trading alliances.

Answer

- a. The European Union—the signing of the Maastricht Treaty created the formation of the European Union. This treaty united 12 countries—Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, the United Kingdom, and Germany—as a unified economic and trade entity. The primary motivation for the joining of these European nations was to allow them to reassert their economic position against the strength of the United States and Japan. Three other countries—Austria, Finland, and Sweden—joined the group in 1995. In 2004, the EU added 10 new members—Cyprus, Malta, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. Four other countries (Bulgaria, Croatia, Romania, and Turkey) have applied for membership and Bulgaria and Romania are expected to join in 2007.
- b. North American Free Trade Agreement (NAFTA)—when the Mexican, Canadian, and U.S. governments reached agreements on key issues covered by NAFTA on August 12, 1992, a vast economic bloc was created. Between 1994, when NAFTA went into effect, and 2003 (the most recent year for complete statistics), exports to Canada increased 62 percent and exports to Mexico increased 106 percent. Eliminating the barriers to free trade (tariffs, import licensing requirements,

customs user fees) has resulted in a strengthening of the economic power of all three countries.

- c. Association of Southeast Asian Nations (ASEAN)—the ASEAN is a trading alliance of 10 Southeast Asian nations. During the years ahead, Asia, and particularly the Southeast Asian region, promises to be one of the fastest-growing economic regions of the world. It will be an increasingly important regional economic and political alliance whose impact eventually could rival that of both NAFTA and the EU.

(moderate; pp. 94-96; AACSB: Globalizations)

DOING BUSINESS GLOBALLY

137. 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 an MNC 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.

(difficult; pp. 97-98; AACSB: Globalizations)

MANAGING IN A GLOBAL ENVIRONMENT

138. 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.

(moderate, p. 102; AACSB: Globalizations)

139. 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.

(moderate; p. 105; AACSB: Globalizations)

140. 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 nine 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.

(difficult, pp. 105-106; AACSB: Globalizations)