International Business 18th edition Daniels Test Bank

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***International Business, 18e* (Daniels)**
Chapter 1   Globalization and International Business

1) In terms of international business, it is most accurate to say that ________.
A) there is a universal "best way" to conduct business
B) global competition affects large companies but not small ones
C) most firms depend either on foreign markets and supplies or compete against companies that do
D) government regulation of international business has little effect on a company's profits
Answer: C
Diff: 2
Skill: Concept
Objective: 1-1 Profile the benefits and value of studying international business (IB) in a global context.
AACSB: Reflective thinking

2) A manager is tasked with sourcing raw materials for her company's manufacturing process. An understanding of international business would best equip her to ________.
A) exclusively use domestic suppliers to simplify the supply chain
B) evaluate where to get the best resources at the best possible price globally
C) focus only on marketing the final product to a domestic audience
D) limit the company's operations to a single country to reduce risk
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-1 Profile the benefits and value of studying international business (IB) in a global context.
AACSB: Reflective thinking

3) Devon, an accounts manager at a large electronics firm, does not have any direct international responsibilities; however, Devon would most likely benefit from studying international business issues so that he can ________.
A) conduct better job interviews
B) better understand how foreign operations affect the company's competitive position
C) supervise and evaluate subordinates who have global assignments
D) understand the legalities of importing and exporting products overseas
Answer: B
Diff: 2
Skill: Application
Objective: 1-1 Profile the benefits and value of studying international business (IB) in a global context.
AACSB: Application of knowledge

4) The "Counterpoint" argument in the "Globalization: A Career Catalyst or Constraint?" debate suggests that globalization negatively impacts careers primarily by ________.
A) increasing job security and providing higher wages for all workers
B) creating a hyper-competitive global job market and fueling job insecurity
C) limiting opportunities for professionals to learn new skills and adapt
D) reducing the need for cultural literacy in the workplace
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-1 Profile the benefits and value of studying international business (IB) in a global context.
AACSB: Ethical understanding and reasoning

5) According to the "Point" perspective in the debate on globalization's impact on careers, how does engaging with a diverse global workforce benefit a professional?
A) It increases job insecurity by introducing more competition.
B) It fosters resilience, adaptability, and cross-cultural communication skills.
C) It limits career mobility to a single country or region.
D) It makes professional skills obsolete due to rapid technological change.
Answer: B
Diff: 2
Skill: Application
Objective: 1-1 Profile the benefits and value of studying international business (IB) in a global context.
AACSB: Reflective thinking

6) A key tension highlighted in the "Point-Counterpoint" debate on globalization and careers is the conflict between ________.
A) the opportunity for personal growth through cultural exchange and the risk of cultural homogenization
B) the rise of remote work and the need for in-person collaboration
C) increased access to a global job market and the intensified competition within that market
D) the need for specialized skills and the demand for generalist managers
Answer: C
Diff: 3
Skill: Analyze
Objective: 1-1 Profile the benefits and value of studying international business (IB) in a global context.
AACSB: Analytical thinking

7) Why is it relevant for today's business students to study international business and to become culturally literate?
Answer: There are several reasons to study international business. Most large organizations will have international operations or be affected by the global economy. In addition, an understanding of international business will allow students to better assess career opportunities, interact more effectively with other managers, and keep pace with competitors. Furthermore, students may eventually work for a company headquartered in another country. Finally, small businesses are becoming more involved in international business. Being culturally literate means having an understanding of different countries and cultures. Having some knowledge of how a country or company fits into the global economy can help a business person earn respect, confidence, and a competitive edge.
Diff: 2
Skill: Concept
Objective: 1-1 Profile the benefits and value of studying international business (IB) in a global context.
AACSB: Reflective thinking

8) The widening set of interdependent relationships among people from different parts of the world is known as ________.
A) globalization
B) offshoring
C) franchising
D) outsourcing
Answer: A
Diff: 1
Skill: Concept
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Reflective thinking

9) Which of the following best defines international business?
A) It includes all economic flows between two or more countries.
B) It includes all private economic flows between two or more countries.
C) It includes all business transactions involving two or more countries.
D) It includes all business transactions in countries other than your home country.
Answer: C
Diff: 2
Skill: Concept
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Reflective thinking

10) The opening case on the video game industry illustrates globalization by highlighting how ________.
A) games are primarily developed and consumed within a single region, such as North America
B) digital marketplaces and global supply chains make games accessible to a worldwide audience
C) the industry relies on physical media and is constrained by regional locks
D) production is concentrated in one country to maintain high quality
Answer: B
Diff: 2
Skill: Application
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Application of knowledge

11) The video game industry case describes "cultural fusion" in gaming, where titles like *Genshin Impact* blend Eastern and Western aesthetics to achieve universal appeal. This phenomenon is a direct outcome of which aspect of globalization?
A) The dominance of a single country's culture in game development
B) The increased exchange of ideas and perspectives across borders
C) The use of regional locks to protect local cultural content
D) The reliance on a single language for all in-game communication
Answer: B
Diff: 2
Skill: Application
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Diverse and multicultural work environments

12) International business is more complex than domestic business.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Application of knowledge

13) Globalization refers to all economic transactions among countries.
Answer: FALSE
Diff: 1
Skill: Concept
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Reflective thinking

14) Globalization has allowed firms to expand into markets that, until recently, were separated from the international marketplace.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Application of knowledge

15) Globalization enables companies to get a greater variety of products with better quality and with lower prices.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-2 Analyze the relationship between globalization and IB.
AACSB: Application of knowledge

16) According to the DHL Global Connectedness Index, the current state of global connectedness suggests that ________.
A) globalization has reached its peak, with nearly all economic activity occurring across borders
B) most international flows, such as goods, services, and internet traffic, are still below 30%
C) corporate globalization is declining as companies retreat to their home markets
D) the world is almost fully globalized, with borders and distance no longer mattering
Answer: B
Diff: 1
Skill: Remember the Facts
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Application of knowledge

17) Which of the following is an indication of the increased globalization of business since the end of World War II?
A) Foreign trade has largely replaced foreign ownership as a means of conducting international business.
B) World trade has grown more rapidly than world production.
C) Globally, consumers now depend on foreign output for more than half their consumption.
D) Countries have increased their import restrictions to counter the rising tide of imports.
Answer: B
Diff: 3
Skill: Concept
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Reflective thinking

18) The integration of markets, nation-states, and technologies in a way that is enabling individuals, corporations, and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before is referred to as ________.
A) international business organization
B) market internationalization
C) economic integration
D) globalization
Answer: D
Diff: 1
Skill: Concept
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Application of knowledge

19) Most of the world's goods and services are sold ________.
A) in international markets
B) in the countries where they are produced
C) through exports to small countries
D) through exports to large countries
Answer: B
Diff: 2
Skill: Concept
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Reflective thinking

20) Assume an enterprise is considering establishment of a foreign production facility. Which of the following best supports this decision?
A) Its foreign competitors have higher production costs than it has.
B) Its main competitor successfully opened a foreign plant.
C) Its suppliers follow an agglomeration strategy.
D) None of its competitors have foreign production facilities.
Answer: B
Diff: 3
Skill: Critical Thinking
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Reflective thinking

21) When a company successfully responds to foreign production and market opportunities, ________.
A) other companies will likely emulate its successful practices
B) it likely has a long-term advantage over competitors
C) it will downsize its domestic operations
D) its home government likely raises taxes on the company
Answer: A
Diff: 2
Skill: Concept
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Application of knowledge

22) The first phase of modern globalization (1492–1800), known as the Age of Exploration, was primarily driven by ________.
A) the rise of multinational corporations and digital technology
B) post-war international institutions focused on free trade
C) European monarchs seeking resources and colonial expansion under mercantilism
D) the Industrial Revolution and the invention of the steam engine
Answer: C
Diff: 1
Skill: Remember the Facts
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Application of knowledge

23) The second phase of globalization (1800–1914) was primarily powered by which of the following?
A) The Age of Exploration and the rise of mercantilism.
B) The establishment of the United Nations and the World Bank.
C) The Industrial Revolution and innovations like the steam engine and telegraph.
D) The invention of the internet and the growth of digital e-commerce.
Answer: C
Diff: 2
Skill: Understand the Concepts
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Application of knowledge

24) The KOF Globalization Index measures the interconnectedness of countries across which three key dimensions?
A) Trade, Capital, and Information
B) Political, Military, and Cultural
C) Economic, Social, and Political
D) Technological, Environmental, and Legal
Answer: C
Diff: 1
Skill: Remember the Facts
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Application of knowledge

25) International business includes all commercial transactions between two or more countries.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Reflective thinking

26) Many companies merge with or acquire other companies to gain operating efficiencies that help them compete with or become global leaders.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Analytical thinking

27) Governments primarily cooperate through treaties to create a global division of labor.
Answer: FALSE
Diff: 1
Skill: Concept
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Reflective thinking

28) The current phase of globalization (Phase 4) is mainly driven by increases in traditional manufacturing and reduced use of digital technologies in global business interactions.
Answer: FALSE
Diff: 2
Skill: Understand the Concepts
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Reflective thinking

29) The evolution of globalization has been a smooth, linear process of ever-increasing interconnectedness without any significant disruptions.
Answer: FALSE
Diff: 2
Skill: Understand the Concepts
Objective: 1-3 Profile the dynamic evolution of globalization.
AACSB: Analytical thinking

30) Within the PESTEL framework, which of the following serves as a significant *political* constraint on globalization?
A) The homogenization of consumer preferences across markets
B) The rise of e-commerce platforms that facilitate cross-border trade
C) The assertion of national sovereignty to protect domestic interests
D) The unequal access to technology and internet infrastructure
Answer: C
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

31) A government's decision to offer tax incentives and subsidies to attract foreign companies is an example of which type of factor in the PESTEL framework that catalyzes globalization?
A) Social
B) Economic
C) Legal
D) Technological
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

32) The growing global awareness of climate change, leading to international agreements like the Paris Accord, is best categorized under which element of the PESTEL framework?
A) Political
B) Economic
C) Social
D) Environmental
Answer: D
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

33) An international manager is concerned that a foreign country's weak legal institutions and widespread corruption could jeopardize her company's investments. This represents a constraint from which PESTEL category?
A) Political
B) Economic
C) Social
D) Legal
Answer: D
Diff: 2
Skill: Application
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

34) The rapid growth of international bandwidth and cross-border data flows is a powerful catalyst for globalization, primarily categorized under which element of the PESTEL framework?
A) Political
B) Economic
C) Technological
D) Social
Answer: C
Diff: 1
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

35) A company's ability to operate efficiently in a foreign market is hindered by the country's poor road systems and unreliable internet service. These challenges are best described as which type of constraint in the PESTEL framework?
A) Environmental
B) Legal
C) Social
D) Technological
Answer: D
Diff: 2
Skill: Application
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

36) When governments form international institutions like the World Trade Organization (WTO) to create common rules for trade, they are primarily contributing to which type of catalyst for globalization in the PESTEL framework?
A) Political
B) Economic
C) Social
D) Legal
Answer: A
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

37) The spread of a uniform consumer culture, which undermines national identities and sparks efforts to deglobalize markets, is an example of a(n) ________.
A) social constraint
B) political catalyst
C) technological constraint
D) economic catalyst
Answer: A
Diff: 2
Skill: Application
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

38) The harmonization of legal frameworks through international agreements, which reduces uncertainty and compliance costs for firms operating abroad, acts as which type of catalyst in the PESTEL framework?
A) Economic
B) Legal
C) Social
D) Political
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

39) Geopolitical tensions and conflicts between nations that disrupt supply chains and erode international trust are best categorized as which type of PESTEL constraint?
A) Economic
B) Social
C) Political
D) Environmental
Answer: C
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

40) A company faces pressure from consumers and advocacy groups to adopt more sustainable sourcing methods and reduce its carbon footprint across its global operations. This pressure is an example of which PESTEL factor?
A) Political
B) Economic
C) Environmental
D) Legal
Answer: C
Diff: 2
Skill: Application
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Ethical understanding and reasoning

41) As a manager analyzing a potential new market, you observe that the country has a history of political instability and that its government frequently imposes trade restrictions to protect local industries. Using the PESTEL framework, how would you primarily categorize these factors?
A) As economic constraints due to their impact on market growth
B) As social catalysts because they reflect national cultural values
C) As political and legal constraints on business operations
D) As technological constraints because they limit market access
Answer: C
Diff: 3
Skill: Analyze
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

42) The convergence of artificial intelligence (AI) and international business is expected to ________.
A) increase the need for repetitive, manual data entry jobs across borders
B) hyper-personalize marketing campaigns and automate supply chains
C) reduce the importance of human skills like cultural awareness and analytical thinking
D) strengthen the role of geographic boundaries in managing global teams
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Reflective thinking

43) Which of the following is an example of an economic constraint on globalization, according to the PESTEL framework?
A) The establishment of the United Nations to promote peace and security
B) The development of clean energy technologies shared across nations
C) Significant income inequality within and between countries
D) The rise of social media platforms connecting people worldwide
Answer: C
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

44) The concern that globalization encourages companies to move production to countries with less stringent pollution regulations, thereby worsening global environmental problems, is best described as a(n) ________.
A) legal catalyst
B) environmental constraint
C) economic catalyst
D) political constraint
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Ethical understanding and reasoning

45) When a country implements protectionist trade policies to shield its domestic industries from foreign competition, it demonstrates a tension between the economic benefits of globalization and which PESTEL constraint?
A) Technological (the digital divide)
B) Political (the desire to maintain national sovereignty)
C) Environmental (the concern over carbon footprints)
D) Social (the homogenization of culture)
Answer: B
Diff: 3
Skill: Analyze
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

46) Although globalization may bring economic growth, critics nevertheless contend that ________.
A) the growth is too fast
B) the inequality of gains puts some people in a relatively worse economic situation
C) this growth is mainly for the future, thus ignoring present economic growth needs
D) the cultural foundations of sovereignty are supported by globalization
Answer: B
Diff: 3
Skill: Concept
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Reflective thinking

47) A manager notes that differences in national laws regarding intellectual property rights create complexities and increase the cost of doing business internationally. This is an example of a ________.
A) legal constraint
B) social catalyst
C) political catalyst
D) economic constraint
Answer: A
Diff: 2
Skill: Application
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

48) Within the PESTEL framework, the "digital divide" is considered a social catalyst for globalization.
Answer: FALSE
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

49) According to the PESTEL framework, advancements in automation and AI that streamline global collaboration are considered technological catalysts for globalization.
Answer: TRUE
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

50) The homogenization of consumer preferences is considered a social catalyst for globalization.
Answer: TRUE
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

51) A nation's effort to protect its cultural identity by limiting foreign media content is a social constraint on globalization within the PESTEL framework.
Answer: TRUE
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

52) Within the PESTEL framework, the increased pollution and habitat destruction resulting from higher levels of global production and trade are considered environmental constraints on globalization.
Answer: TRUE
Diff: 2
Skill: Understand the Concepts
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Ethical understanding and reasoning

53) Identify and briefly explain two distinct catalysts for globalization, with each one coming from a different category of the PESTEL framework (Political, Economic, Social, Technological, Environmental, Legal).
Answer: A correct answer will identify two catalysts from different PESTEL categories and explain them. For example:
1. **Technological catalyst:** Digital globalization, including the growth of e-commerce systems and enhanced connectivity through the internet. This streamlines communication and allows businesses of all sizes to access global markets more easily and cost-effectively.
2. **Political catalyst:** The creation of international institutions like the WTO. These bodies promote cooperation and establish common rules for trade, which reduces barriers and encourages greater economic integration among nations.
Diff: 2
Skill: Analyze
Objective: 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

54) What is the fundamental factor that differentiates international business from domestic business?
A) The need to generate a profit for shareholders
B) The requirement to manage employees from different functional areas
C) The adaptation of strategies across different cultural, legal, and economic contexts
D) The use of technology to improve operational efficiency
Answer: C
Diff: 2
Skill: Understand the Concepts
Objective: 1-5 Explain how IB differs from domestic business.
AACSB: Analytical thinking

55) A key reason international business is more complex than domestic business is that ________.
A) domestic markets have no significant regional differences
B) international managers must contend with a wider variety of environmental factors
C) the goal of profit maximization only applies to international operations
D) domestic business does not involve managing a supply chain
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-5 Explain how IB differs from domestic business.
AACSB: Analytical thinking

56) Assume that company executives at the firm would like to increase sales by expanding into an international market. Which of the following factors, if true, best supports a decision to expand sales globally?
A) It can offshore most of its production.
B) It can obtain all of its resources for the same price overseas.
C) Its costs of making additional sales would not increase disproportionately.
D) The foreign market has higher real interest rates.
Answer: C
Diff: 3
Skill: Critical Thinking
Objective: 1-5 Explain how IB differs from domestic business.
AACSB: Reflective thinking

57) Kevin, marketing manager of the North American Bowling League, has decided to televise major bowling competitions to viewers in multiple countries rather than only in Canada and the U.S. Which of the following goals would this most likely help Kevin accomplish?
A) acquiring new resources
B) minimizing corporate risks
C) increasing sales and profits
D) obtaining competitive advantages
Answer: C
Diff: 2
Skill: Application
Objective: 1-5 Explain how IB differs from domestic business.
AACSB: Reflective thinking

58) Which of the following best explains how a firm reduces risk by operating internationally?
A) taking advantage of business-cycle differences among countries
B) buying competitive risk insurance unavailable domestically
C) preventing competitors from operating in the countries it has entered
D) operating in less competitive environments than those at home
Answer: A
Diff: 2
Skill: Concept
Objective: 1-5 Explain how IB differs from domestic business.
AACSB: Analytical thinking

59) Toyota is a global market leader, but it is not the top-selling carmaker in India. Local and other foreign brands dominate in India. This situation best illustrates which key concept about international competition?
A) Global companies can use a single, standardized strategy in every market.
B) Market leadership in one country does not guarantee a dominant position in another.
C) All foreign markets are less competitive than a company's domestic market.
D) Local competitors are always at a disadvantage against large MNEs.
Answer: B
Diff: 2
Skill: Application
Objective: 1-5 Explain how IB differs from domestic business.
AACSB: Application of knowledge

60) By operating internationally, a company may take advantage of business-cycle differences among countries and thereby reduce its financial risks.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-5 Explain how IB differs from domestic business.
AACSB: Analytical thinking

61) A company diversifies its operations by selling its products in multiple countries with different economic cycles. What is the primary objective of this strategy?
A) To acquire new technology from foreign markets
B) To reduce overall business risk
C) To minimize its global tax burden
D) To exclusively access low-cost labor
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Analytical thinking

62) When a company like Apple establishes manufacturing operations in Asia to take advantage of cost-effective labor and specialized engineering skills, its primary motivation for internationalizing is ________.
A) sales expansion
B) risk reduction
C) the innovation imperative
D) resource acquisition
Answer: D
Diff: 2
Skill: Understand the Concepts
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Analytical thinking

63) ________ is the buying of products made in other countries for use or resale in one's own country.
A) Exporting
B) Importing
C) Merchandising
D) Transporting
Answer: B
Diff: 1
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

64) Black and Decker produces tools at a plant in North Carolina and ships the tools to retailers in England. This is an example of which type of international business activity?
A) merchandising
B) importing
C) exporting
D) trading
Answer: C
Diff: 2
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

65) An example of a U.S. merchandise import is an automobile made in ________ and sold ________.
A) the United States by a Japanese company; in the United States
B) the United States by a Japanese company; outside the United States
C) Japan by a Japanese company; in the United States
D) Japan by a U.S. company; outside the United States
Answer: C
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

66) Visible exports and imports are ________.
A) merchandise imports and exports
B) the sum total of goods and services traded
C) international transactions paid for in money rather than barter
D) typically, a country's least common international economic transactions
Answer: A
Diff: 1
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

67) An example of a Japanese service export is a visit by a ________.
A) Japanese citizen to Disneyland in the United States
B) Japanese citizen to the Japan Pavilion at Epcot Center in the United States
C) U.S. citizen to the Japan Pavilion at Epcot Center in the United States
D) U.S. citizen to Tokyo Disneyland in Japan
Answer: D
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

68) ________ is a contractual arrangement in which a firm in one country allows the use of its intellectual property by a firm in a second country in return for a royalty payment.
A) Leasing
B) Franchising
C) Licensing
D) Merchandising
Answer: C
Diff: 1
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

69) A(n) ________ involves a firm in one country agreeing to operate facilities for a firm in another country for an agreed fee.
A) franchising agreement
B) licensing agreement
C) management contract
D) indirect investment
Answer: C
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

70) A foreign direct investment occurs when ________.
A) a company owns at least 25% of a foreign firm
B) a company has a controlling interest in a foreign company
C) foreign ownership is in private rather than government securities
D) a foreign firm agrees to a licensing agreement with a large conglomerate
Answer: B
Diff: 2
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

71) Which term refers to two or more companies that share ownership of an FDI?
A) turnkey operation
B) transnational firm
C) joint venture
D) franchise
Answer: C
Diff: 1
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Analytical thinking

72) A multinational enterprise (MNE) is best defined as a firm ________.
A) that is a member of the Fortune 500
B) with foreign business partners
C) involved in global franchising
D) with foreign direct investments
Answer: D
Diff: 1
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Analytical thinking

73) The owner of a U.S. football team and the owner of a Canadian hockey team purchase a British soccer team. This is an example of a ________.
A) royalty
B) portfolio investment
C) turnkey operation
D) joint venture
Answer: D
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Analytical thinking

74) A worrisome outcome of chronic inflation is that it tends to ________.
A) erode confidence in a country's currency
B) give central banking officials excessive flexibility to manage monetary policy
C) increase the real income of people, thereby inflating their spending and borrowing levels
D) lower consumer demand for foreign goods, which triggers lower prices and eventually lower employment
Answer: A
Diff: 2
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

75) International licensing occurs when a firm in one country authorizes a firm in another country to use its operating systems, brand name, trademark, and logo in return for a royalty payment.
Answer: FALSE
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

76) Services constitute the fastest growth sector in international trade.
Answer: TRUE
Diff: 1
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

77) Merchandise exports and imports are tangible products–goods–that are respectively sent *out* of and brought *into* a country.
Answer: TRUE
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

78) The production of goods by a French company in Italy for sale in Italy is an example of an Italian merchandise import.
Answer: FALSE
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

79) When a U.S. citizen flies Japan Airlines, the airline acts as a service exporter for Japan.
Answer: TRUE
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

80) A joint venture is an example of a portfolio investment.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

81) The ownership of foreign bonds is an example of a portfolio investment.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

82) The fact that a company is the market leader in one country is no guarantee that it will be the leader in another country.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Analytical thinking

83) Inflation affects interest rates, exchange rates, the cost of living, general economic confidence, and the stability of the current political system.
Answer: TRUE
Diff: 1
Skill: Concept
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

84) What are the differences between merchandise and service imports and exports? Provide examples to illustrate your answer.
Answer:
a. Merchandise exports are tangible products–goods–sent out of a country. Merchandise imports are goods brought into a country. When a Chinese contractor sends toy action figures from China to Hasbro in the United States, the contractor exports and Hasbro imports.
b. Service exports and imports generate nonproduct international earnings. The company or individual receiving payment is making a service export. The company or individual paying is making a service import. When an American tourist stays at a hotel in London, the hotel stay is the service export.
Diff: 2
Skill: Application
Objective: 1-6 Analyze the major reasons companies engage in IB.
AACSB: Application of knowledge

85) A small, tech-intensive startup leverages online platforms to expand rapidly into global markets with minimal physical presence. This type of company is best described as a(n) ________.
A) multinational enterprise (MNE)
B) non-governmental organization (NGO)
C) digipreneur
D) international organization (IO)
Answer: C
Diff: 2
Skill: Understand the Concepts
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Application of knowledge

86) Which of the following best distinguishes a multinational enterprise (MNE) from a small or medium-sized enterprise (SME) that is active internationally?
A) MNEs are the only type of company that can export products.
B) MNEs are characterized by large-scale foreign direct investment and physical operations in multiple countries.
C) SMEs operate exclusively in their domestic market.
D) MNEs are non-profit organizations, while SMEs are for-profit.
Answer: B
Diff: 2
Skill: Understand the Concepts
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Application of knowledge

87) Which of the following is an example of a non-governmental organization (NGO) acting as a key player in the IB ecosystem?
A) Toyota, a Japanese MNE, building a manufacturing plant in Mexico.
B) The World Trade Organization (WTO) setting rules for international trade.
C) Greenpeace lobbying a clothing company to adopt sustainable sourcing practices.
D) A Brazilian digipreneur launching a new fintech app across Latin America.
Answer: C
Diff: 1
Skill: Understand the Concepts
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Diverse and multicultural work environments

88) Managers who are knowledgeable about ________ are better able to identify the location, quantity, quality, and availability of the world's natural resources.
A) political factors
B) geographic factors
C) competitive factors
D) cultural factors
Answer: B
Diff: 1
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Analytical thinking

89) Although the U.S. film industry depends heavily on revenue in foreign countries, revenue from international markets is usually low for a sports-themed film. This is most likely due to ________ factors.
A) political
B) geographic
C) behavioral (cultural)
D) legal
Answer: C
Diff: 2
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Application of knowledge

90) In addition to understanding the laws affecting business in countries where their companies operate, it is most important for managers to understand the ________.
A) methods for appointing local judges
B) ethical rationale behind the laws
C) history of the local legal system
D) degree of law enforcement
Answer: D
Diff: 2
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Analytical thinking

91) Some key ________ factors in a company's international business external environment are its product strategy and access to resources.
A) geographic
B) political
C) competitive
D) behavioral
Answer: C
Diff: 1
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Reflective thinking

92) Elway, a computer firm, has high foreign sales in Asia and wants to expand sales into Europe. Which of the following statements provides the most appropriate advice for Elway executives?
A) Although countries' market sizes differ, companies usually face about the same number of competitors in each national market.
B) In most industries, companies face the same competitors in each country where they operate.
C) It takes about the same amount of resources to gain national distribution in one country versus another.
D) Being a leader in one country does not guarantee market leadership in another country.
Answer: D
Diff: 3
Skill: Critical Thinking
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Reflective thinking

93) When companies face the same competitors in almost all countries where they operate, ________.
A) what they learn about one another in one country is useful in predicting the others' strategies and actions elsewhere
B) the market leader is the same everywhere
C) there is less need to understand the physical and societal factors of each country
D) they are less likely to enter joint ventures with other companies
Answer: A
Diff: 2
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Analytical thinking

94) Geographical barriers typically affect distribution channels within countries, but they rarely affect distribution channels between countries.
Answer: FALSE
Diff: 2
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Analytical thinking

95) Managers need to understand not only the laws of countries where they operate, but also how those laws are enforced.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Reflective thinking

96) A company with limited resources is more likely to achieve national distribution within a small country than within a large country.
Answer: TRUE
Diff: 2
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Analytical thinking

97) In a short essay, identify and explain three competitive factors that influence international businesses.
Answer:
a. Product strategy–A company's choice of strategy, either cost or differentiation, plays a part in determining how and where the company will operate.
b. Company resources and experience–A company's size, resources, and experience in comparison to competitors' affects how it will operate in international markets. In addition, a company's national market share and brand recognition will affect the operating tactics it employs.
c. Competitors faced in each market–Success for a company in any market will always be influenced by the strategies and operations of competitors within the market.
Diff: 2
Skill: Concept
Objective: 1-7 Identify key players in the IB ecosystem.
AACSB: Application of knowledge

98) As a key player in the IB ecosystem, a multinational enterprise (MNE) must constantly evaluate its external environment. Using the PESTEL framework, explain how one political factor and one social factor could influence an MNE's decision to enter a new foreign market.
Answer: A correct answer will identify one political and one social factor and explain their influence. For example:
1. **Political Factor:** Political stability. An MNE would be hesitant to enter a country with high political instability, as this could lead to risks such as expropriation of assets, civil unrest disrupting operations, or sudden changes in regulations. Conversely, a stable political environment is a catalyst.
2. **Social Factor:** Cultural norms and consumer behavior. An MNE must assess if its products align with local cultural values and preferences. For example, a fast-food chain selling beef products would face significant social constraints in India, where a large portion of the population does not consume beef for religious reasons.
Diff: 3
Skill: Analyze
Objective: 1-7 Identify key players in the IB ecosystem. and 1-4 Apply the PESTEL framework to evaluate factors that catalyze or constrain globalization.
AACSB: Analytical thinking

99) A U.S. fast-food chain grants a business owner in Japan the right to operate a restaurant using its brand name, business model, and operational guidelines in exchange for regular payments. This best describes which mode of international business?
A) Franchising
B) Foreign Direct Investment (FDI)
C) A licensing agreement
D) Exporting
Answer: A
Diff: 2
Skill: Application
Objective: 1-8 Define and illustrate the different operating modes in IB.
AACSB: Analytical thinking

100) A U.S.-based software company allows a European firm to use its patented algorithm in their products in exchange for a percentage of the sales. This arrangement is an example of a(n) ________.
A) joint venture
B) franchising agreement
C) licensing agreement
D) equity investment
Answer: C
Diff: 2
Skill: Application
Objective: 1-8 Define and illustrate the different operating modes in IB.
AACSB: Application of knowledge

101) Explain the difference between foreign direct investment (FDI) and portfolio investment. Provide a clear example of each.
Answer: A correct answer must distinguish between the two based on the concept of control.
Foreign Direct Investment (FDI) *is an investment made to acquire a* controlling interest* in a foreign business. The investor is actively involved in managing the foreign operation. Example: A Japanese car manufacturer building a new factory in the United States.
- **Portfolio Investment** is a non-controlling financial interest in a foreign entity. The investor is passive and is primarily interested in the financial return, not in managing the business. Example: A U.S. investor buying shares of stock in a German company on the stock market.
Diff: 2
Skill: Analyze
Objective: 1-8 Define and illustrate the different operating modes in IB.
AACSB: Analytical thinking

Instructor's Manual

By Veronica Horton

International Business Environments & Operations

Eighteenth Edition

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