Global Strategy 5th edition Peng Test Bank

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Name:_____ Class:_____ Date:_____

Chapter 01: Strategizing Around the Globe
TEST BANK

1. Studying global strategy is considered highly important for the consulting industry but optional for careers outside consulting.
   a. True
   b. False
ANSWER: False

2. The company Zoom employs a strategy of both planned deliberate actions and unplanned emergent activities.
   a. True
   b. False
ANSWER: True

3. A multinational enterprise rarely engages in foreign direct investment.
   a. True
   b. False
ANSWER: False

4. A typical "one-size-fits-all" strategy remains the most effective for firms "going global."
   a. True
   b. False
ANSWER: False

5. Researchers are not sure why firms in emerging economies seem to suffer from lower-quality management and how they can catch up.
   a. True
   b. False
ANSWER: True

6. In the global economic pyramid, the top tier includes the 5 billion people whose annual per capita income is less than US$2,000.
   a. True
   b. False
ANSWER: False

7. Global strategy has, in the past, been primarily focused on markets that consist of those people who are in the bottom tier of the global economic pyramid, as they make up the largest portion of the population and have the most buying power.
   a. True
   b. False
ANSWER: False

8. A SWOT analysis resonates well with Sun Tzu's teachings.
   a. True
   b. False

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ANSWER: True

9. If a strategy (theory) is truly successful, it will work not just for one firm but for all others as well.
   a. True
   b. False

ANSWER: False

10. If done well, a SWOT analysis will turn unrealized strategies into intended strategies.
   a. True
   b. False

ANSWER: False

11. The two primary purposes of a theory are to explain the past and predict the future.
   a. True
   b. False

ANSWER: True

12. The concept of strategy as integration means that strategy is a combination of planned deliberate actions and unplanned emergent activities.
   a. True
   b. False

ANSWER: True

13. The quality of management practices around the world is higher for more developed economies than emerging economies.
   a. True
   b. False

ANSWER: True

14. A strategy tripod represents a comprehensive view of strategy consisting of three leading perspectives.
   a. True
   b. False

ANSWER: True

15. The three key perspectives of strategy as a discipline include industry-based, resource-based, and institution-based views.
   a. True
   b. False

ANSWER: True

16. Companies use balanced scorecards to summarize business information into a smaller number of critical factors.
   a. True

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b. False

ANSWER: True

17. Determining the scope of the firm involves not only growth of the firm but also contraction.

a. True

b. False

ANSWER: True

18. The text stresses that realism indicates that all companies should go global and endeavor to do so as quickly as possible in view of the vast opportunities that exist.

a. True

b. False

ANSWER: False

19. The industry-based view posits that the degree of competitiveness in an industry largely determines firm performance.

a. True

b. False

ANSWER: False

20. The resource-based view suggests that firm-specific capabilities that differentiate successful companies from floundering ones.

a. True

b. False

ANSWER: True

21. The institution-based view argues that industry- and firm-level conditions alone determine why firms differ in strategy.

a. True

b. False

ANSWER: False

22. The more traditional meaning of *global strategy* consists of offering standardized services and products on a worldwide basis.

a. True

b. False

ANSWER: True

23. The textbook's goal is to approach global strategy as the way that both domestic firms and foreign entrants compete successfully.

a. True

b. False

ANSWER: True

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24. In discussions of globalization, a case can be made for both extensive cultural integration as well as the promotion of inequality.

a. True
b. False

ANSWER: True

25. Although global strategy is associated with business, the term *globalization* can also refer to the closer integration of countries and peoples of the world.

a. True
b. False

ANSWER: True

26. The earliest MNEs existed in some form thousands of years ago in the Assyrian, Phoenician, and Roman empires.

a. True
b. False

ANSWER: True

27. Reverse innovation follows the traditional flow from developed to developing economies.

a. True
b. False

ANSWER: False

28. During the second half of the twentieth century, Hong Kong, Singapore, South Korea, and Taiwan, refused to participate in the global economy and became known as the "Four Toothless Tigers."

a. True
b. False

ANSWER: False

29. During the 1990s there was an increase in both global trade and opposition to global trade.

a. True
b. False

ANSWER: True

30. Semiglobalization involves doing business in either the Northern or Southern Hemisphere but not both.

a. True
b. False

ANSWER: False

31. The recession that began in 2008 demonstrated just how interconnected the global economy had become.

a. True
b. False

ANSWER: True

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32. The pendulum view of globalization explains the forces that increase and decrease the extent of globalization over time.
a. True
b. False
ANSWER: True

33. China in the 1970s is an example of an emerging economy.
a. True
b. False
ANSWER: True

34. Standardization in markets is the main goal of semiglobalization.
a. True
b. False
ANSWER: False

35. While some may argue that globalization is currently in retreat, trade in services across national boundaries, and specifically digital services, is growing.
a. True
b. False
ANSWER: True

36. It is advantageous for an industry to be designated "strategic," as that often means it can qualify for government subsidies and bailouts.
a. True
b. False
ANSWER: True

37. The need for face masks as a result of the 2020 coronavirus outbreak demonstrated how industries that were once thought insignificant can quickly be designated as "strategic."
a. True
b. False
ANSWER: True

38. While a slack-laden corporation may become inefficient, some level of organizational slack can be valuable to protect against external shocks.
a. True
b. False
ANSWER: True

39. The 2020 coronavirus (COVID-19) pandemic is an example of a black swan event.
a. True
b. False

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ANSWER: True

40. The limitation of scenario planning is that it can be used to plan for only expected events.
    a. True
    b. False

ANSWER: False

41. Multinational enterprises (MNEs) are firms that
    a. engage in foreign direct investment (FDI).
    b. delegate control of value-adding activities in other countries.
    c. standardize strategies across all business units.
    d. rely on the "one-size-fits-all stragegy."

ANSWER: a

42. Which of the following best describes foreign direct investment (FDI)?
    a. A firm's direct investment in production and/or service activities abroad
    b. The purchases of foreign securities by people within the United States
    c. The purchases of U.S. securities by people from other countries
    d. Avoidance of brokers or other financial intermediaries when making foreign investments

ANSWER: a

43. The crafting of a firm's strategy is known as strategy
    a. implementation.
    b. integration.
    c. formulation.
    d. intention.

ANSWER: c

44. What country was added when the label BRIC was changed to BRICS?
    a. Sweden
    b. South Africa
    c. Switzerland
    d. Singapore

ANSWER: b

45. Which of the following statements accurately reflects recent research in emerging economies (or emerging markets)?
    a. Most firms that are part of conglomerates experience lower profitability than independent firms.
    b. Conglomeration provides measurable performance benefits.
    c. There is a relatively negative link between conglomeration as a strategy and firm performance.
    d. A majority of firms in emerging economies are currently trying to divest and downsize.

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ANSWER: b

46. BRIC refers to
a. Brazil, Russia, India, and China.
b. Bolivia, Romania, Indonesia, and Columbia.
c. Bulgaria, Romania, Italy, and Canada.
d. Bahrain, Russia, Iran, and China.

ANSWER: a

47. Which of the following best reflects the reality of how MNEs adapt their "global" strategies?
a. Zoom broke records in numbers of users in March and April of 2020.
b. The Volkswagen Golf and Ford Mondeo are popular cars throughout the world.
c. Coca-Cola used a set of "world commercials" focused on a polar bear character.
d. The recipe for Coke Classic is different around the world.

ANSWER: d

48. The notion of global strategy as one-size-fits-all
a. adds to local responsiveness.
b. provides the best way for companies to compete with domestic rivals as well as international rivals.
c. fails to adequately accommodate firms in emerging economies.
d. looks primarily at how MNEs compete with their domestic rivals in foreign countries.

ANSWER: c

49. When looking at the global economy as a pyramid, MNEs
a. traditionally believed no money was to be made in base of the pyramid markets.
b. are based almost exclusively in the top tier.
c. face little competition from emerging markets at any level of the pyramid.
d. tend to target the population at the base of the pyramid.

ANSWER: a

50. GE developed a portable electrocardiograph machine originally for doctors in India and China that is now being sold in the United States at a significantly lower price than comparable products. This product is an example of
a. foreign direct investment.
b. reverse innovation.
c. a black swan strategy.
d. intended strategy.

ANSWER: b

51. MNEs have found that
a. the strategy that works in their domestic market will most likely work best in foreign markets.
b. tailoring strategies for particular markets is costly and often ineffective.

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c. it is ineffective to design advertising that appeals to worldwide values and interests.
d. strategies targeted to emerging markets work best in developed markets as well.

ANSWER: c

52. It is worthwhile to study global strategy, even if one doesn't desire to become a consultant, because approximately _____ million people worldwide are employed by foreign-owned firms, including _____ Americans.
a. 18; 1
b. 18; 7
c. 80; 7
d. 80; 18

ANSWER: c

53. Which of the following statements applies to the concept of strategy?
a. It dates back to 500 B.C. and the work of the strategist Sun Tzu of China.
b. The first book about it was authored by Napoleon regarding military tactics.
c. In business competition its principles distinctly differ from military operations.
d. It is a fairly recent concept.

ANSWER: a

54. A hallmark of theory building and development is
a. the outcome of a test.
b. replication.
c. intuition.
d. consensus.

ANSWER: b

55. Essentially strategy is
a. a rulebook.
b. a blueprint.
c. a set of programmed instructions.
d. a set of flexible actions.

ANSWER: d

56. Strategic management essentially
a. follows a one-size-fits-all philosophy.
b. is a military concept rather than a business concept.
c. defines the way a firm competes successfully from a “big picture” perspective.
d. provides a set of instructions that can apply across all types of firms.

ANSWER: c

57. The school of thought that views strategy as the outcome of rigorous formal planning is based on

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a. the work of Carl von Clausewitz, a Prussian military strategist.
b. Sun Tzu's book *The Art of War*.
c. Mintzberg's idea of bottom-up feedback.
d. Liddell Hart's set of goal-oriented actions.

ANSWER: a

58. Mintzberg advocated strategy as action in which
a. intended strategy is always superseded by emergent strategy.
b. emergent strategy can arise in addition to intended strategy.
c. top-down planning is most conducive to emergent strategy.
d. bottom-up planning and flexibility are avoided as part of strategic planning.

ANSWER: b

59. Chandler advocated strategy as integration, a perspective in which
a. intended strategy is always superseded by emergent strategy.
b. strategy is neither solely about plan nor action but integrates both.
c. top-down planning integrates a "know yourself" philosophy.
d. bottom-up planning and flexibility are avoided as part of strategic planning.

ANSWER: b

60. Which of the following is an advantage of "strategy as theory"?
a. It integrates both planning and action schools.
b. It requires replications but no need for experimentations.
c. It negates the difficulty of strategic change.
d. It serves the single purpose of prediction.

ANSWER: a

61. When it comes to strategic work as defined by A. G. Lafley, CEOs are primarily responsible for
a. overseeing the tactical aspects of a firm's work.
b. shaping the values and standards of the firm.
c. calling and presiding over strategy meetings.
d. delegating the responsibility for making strategic choices.

ANSWER: b

62. When considering the management quality scores, which country most closely matches the U.S. density for distribution of well-managed and poorly managed firms?
a. United Kingdom
b. Portugal
c. China
d. Greece

ANSWER: a

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63. What are the three dimensions of a firm's triple bottom line?
a. Customer, internal, financial
b. Economic, social, environmental
c. Stakeholder, competitor, innovator
d. Innovation, learning, financial
ANSWER: b

64. The _____ view primarily focuses on the _____ in a SWOT analysis.
a. industry-based; OT
b. resource-based; OT
c. industry-based; S and T
d. resource-based; W and O
ANSWER: a

65. In an institution-based view of strategy, the informal rules of the game
a. must be avoided because global business is not a mere game.
b. are being replaced by formal rules.
c. often require that the firm seek to change those rules rather than going along with them.
d. need to be understood by firms.
ANSWER: d

66. Which of the following best captures the concept of diversification?
a. It is a relatively new concept in Western business.
b. It is believed by Western media to destroy value in emerging economies.
c. It is a poor idea and results in low to no profitability in emerging economies.
d. It should be dismantled in emerging economies, based on recent research.
ANSWER: b

67. In looking at strategy, which of the following is one of the fundamental four questions considered by the authors?
a. Why do firms differ?
b. Is a firm's performance measured by financial returns or market share?
c. What determines whether a firm is profitable?
d. Who are our true stakeholders?
ANSWER: a

68. The people who can affect or be affected by the organization achieving its objectives are known as
a. stakeholders.
b. shareholders.
c. employees.

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d. investors.

ANSWER: a

69. What have recent studies found regarding the distribution of well-managed and poorly managed firms?
a. The distribution usually has a tail of well-managed firms.
b. Management quality is fairly consistent throughout the world.
c. Exceptional firms skew the data, making it difficult to graph.
d. The distribution results in a bell curve.

ANSWER: d

70. When reviewing the diversity of management practices around the world, the quality of management practices
a. depends on the interpersonal relationships among managers.
b. is tightly related to size of firm, economic development of markets, and formal structures.
c. seems to correlate with the level of economic development.
d. relies heavily on the assessment of external opportunities and threats.

ANSWER: c

71. A resource-based view of strategy sees a firm's success as primarily dependent on
a. a firm's opportunities and threats.
b. a firm's strengths and weaknesses.
c. the competitive forces of the firm's market.
d. the formal and informal rules of the game.

ANSWER: b

72. In determining the success and failure of firms around the globe, strategic managers will look at
a. how to acquire, leverage, and sustain competitive advantage over time.
b. comparative analysis of industry-based, resource-based, and institution-based practices.
c. how to best standardize a firm's products and services on a worldwide basis.
d. a standardized balanced scorecard across industries.

ANSWER: a

73. Which definition of "global strategy" do the authors promote?
a. A particular theory on how to compete that is relevant to the majority of MNEs active in any country
b. Offering standardized products and services on a worldwide basis
c. Strategy of firms around the globe—essentially various firms' theories about how to compete successfully
d. Just another term for international strategy

ANSWER: c

74. The most realistic and balanced view of globalization is
a. a new force sweeping through the world in recent times.

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b. a long-run historical evolution since the dawn of human history.
c. a pendulum that swings from one extreme to another from time to time.
d. headed in one direction.

ANSWER: c

75. Which of the following was the first to express concern about international competition from low-cost countries?
a. American political leaders in the twenty first century
b. Union leaders in the last half of the twentieth century
c. A first-century Roman emperor
d. The King of England in the late 1700s

ANSWER: c

76. The current era of globalization originated in the aftermath of
a. World War I.
b. World War II.
c. the Vietnam Conflict.
d. the Gulf War.

ANSWER: b

77. Those who view globalization as a "pendulum" realize the importance of the practice of _____, which meansto identify and assess as well as minimize the effects of unfortunate events.
a. risk management
b. strategy as action
c. intended strategy
d. SWOT analysis

ANSWER: a

78. Viewing each country as a unique market and therefore somewhat isolated is known as _____, whereas _____ sees market integration as subject to some barriers that do not totally insulate those markets.
a. antiglobalization; localization
b. localization; globalization
c. globalization; semiglobalization
d. localization; semiglobalization

ANSWER: d

79. What did the push for hyperglobalization between 1991 and 2008 lead to in the following years?
a. Increased positive attitudes towards globalization
b. A backlash against globalization
c. The end of the globalization debate
d. More interest in semiglobalization

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ANSWER: b

80. A firm that maintains only days' or even hours' worth of inventory is most likely practicing what type of management?
a. Global value
b. Local value
c. Just-in-time
d. Just-in-case

ANSWER: c

81. What is the difference between developed economies and emerging economies? Give examples of countries that would be considered to have developed economies and those that have emerging economies.

ANSWER: Students may point out that the distinction between the two types of economies is typical based on a country's annual per capita income. They may further note that about 15% of the world's population is in the top tier of the global economy pyramid with annual per capita income greater than US$20,000, whereas about 70% at the bottom of the pyramid have annual per capita income less than US$2,000. Countries that would be considered emerging, or fast-growing, economies would include BRIC (Brazil, Russia, India, and China). Developed economies can be found in North America, Europe, and Japan.

82. How can principles of military strategy be useful in developing a global business strategy? Explain by using SWOT analysis.

ANSWER: Students may point out that military strategy involves developing a clear idea of goals and objectives, an understanding of the barriers to achieving those objectives (such the opponents), the development of capabilities to overcome those barriers and the selection of the best alternative means of achieving the objectives under specific circumstances. Business firms can benefit by doing the same thing. They need to start by examining their current situation which includes an understanding of their internal strengths (S) and weaknesses (W) and how that can affect the strategy they use to deal with their external opportunities (O) and threats (T).

83. Describe Liddell Hart's "strategy as action" concept. Explain Mintzberg's theory about strategy and how it is similar to Hart's.

ANSWER: An answer should attribute to Hart "strategy as a set of flexible goal-oriented actions," in which strategy is reflected by a firm's pattern of actions in which the firm uses rapid flexible actions to avoid direct confrontation with opponents. Mintzberg recognized that intended or planned strategy may not come about exactly as planned, and in such situations emergent strategy that comes more from the bottom up in the form of decisions and responses to situations are important.

84. The text points out that not all firms should go global. In view of the vast opportunities, why should some firms not pursue international business?

ANSWER: Many will point out that success in one market or part of the world does not assure that the firm will be able to be successful with its product and strategy in some other part. Much depends on whether it will be able to modify its product or its strategy so as to be successful in the country it seeks to enter. Timing may also be off either in terms of market readiness or development of the firm's capabilities.

85. Describe how strategy is not "a rulebook" but rather a theory. What advantages does "strategy as theory"

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have?

ANSWER: Many will point out that rulebooks are more rigid and set, less adaptable than businesses often need their strategy to be. Theory on the other hand, is an expression a collection of ideas on how to do something successfully, such as how to compete successfully in business. Effective theory-building does the following: integrates both planning and action schools; leverages the concept of theory that provides both explanation and prediction; can be replicated; and takes into consideration the difficulties of strategic change.

86. Having valuable, unique, and hard-to-imitate capabilities may be advantageous in doing business globally. However, what is the problem with trying to maintain that advantage?

ANSWER: There are many possible ways to answer this question. Some may argue that it is much like being on a treadmill in which one must keep moving forward just to stay in place. What is valuable today may lose its value as changes occur in technology and markets. Other firms in other parts of the world may develop alternatives that imitate or even exceed one's capabilities or render them no longer unique. As firms expand production around the world, they may in fact be helping to train others to compete with them.

87. Describe the way in which a firm might use a balanced scorecard.

ANSWER: There are many possible ways to answer this question. A balanced scorecard should effectively and efficiently convey to strategists a summary of information that answers the following questions, among other: How do customers see us? What must we excel at? Can we continue to improve and create value? How do we look to shareholders?

88. Why is there a backlash against globalization, and how might aspects of that backlash actually enhance globalization?

ANSWER: As the text points out, many incorrectly assume that globalization is a new force that is enabling emerging economics to take away both low-end manufacturing jobs high-end jobs as well while enabling MNEs to destroy local companies, local cultures and values as well and the environment. At the same time, developments such as reverse innovation have boosted the emerging economies and demonstrated that the flow of innovation can go in both directions. To the extent that MNE's can effectively counter misunderstandings and positively respond to valid concerns, they may be able prevent or overcome barriers to global trade and investment.

89. How is semiglobalization different from globalization and localization?

ANSWER: The text points that semiglobalization is a perspective that suggests barriers to market integration at borders are high but not high enough to completely insulate countries from each other. It calls for more than one way of strategizing around the globe as opposed to the standardization that is characteristic of globalization and the isolation that is typical of localization. Semiglobalization does not advocate a single right strategy but engages markets on their terms.

90. As you examine the current political, social, and economic environment of your country and the world as of the moment you are reading the text, what is your estimate of the extent to which globalization will increase or decrease in the short run? In the long run?

ANSWER: The response is likely to be specific to the national and cultural background of the student and the major news events at the time the student is taking the course. The text has shown that there is a

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pendulum that tends to swing back and forth in regards to the acceptance or resistance of globalization but the long run trend appears to be moving toward greater globalization. However, the future is not always like the past and even long-term trends can be reversed. As a result, some students may have reasons why they feel that there will be increasing barriers to globalization in the future. Whatever the response, this question is one in which the answer is not as important as the thought process that goes into it.

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