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. 79)

2. A drawback of the geocentric perspective is that it is inflexible.
   (False; moderate; p. 80)

3. Managers with an ethnocentric attitude would not trust foreign employees with key decisions or technology.
   (True; moderate; p. 80)

4. Managers with a polycentric attitude would view every foreign operation as difficult and hard to understand.
   (True; moderate; p. 80)

5. The polycentric attitude is a world-oriented view focusing on using the best approaches and people from around the globe.
   (False; moderate; p. 80)

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; p. 81)

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.

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8. The three original partners of NAFTA are the United States, Canada, and Mexico.  
(True; easy; p. 82)

9. Mercosur is a trading group made up of South American countries.  
(True; moderate; p. 83)

10. Multinational corporations became commonplace in the mid-1960s.  
(True; moderate; p. 84)

11. The Maastricht Treaty was signed in 1992.  
(True; moderate; p. 81)

12. The Maastricht Treaty created the EU.  
(True; moderate; p. 81)

13. Multinational corporations maintain significant operations in two or more countries simultaneously, but are based in one home country.  
(True; moderate; p. 84)

14. Norway is a member of the European Union.  
(False; difficult; p. 82)

15. The transnational corporation characterizes the ethnocentric attitude toward the management of an organization's global business.  
(False; difficult; p. 84)

16. Transnational corporations run their businesses from their home country.  
(False; easy; p. 84)

HOW ORGANIZATIONS GO GLOBAL

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17. The first stage when an organization goes international is exporting its products to other countries.
   (True; moderate; p. 85)

18. The second stage of an organization going international is the initial overt entry where the organization hires foreign representation or contracts with foreign manufacturers.
   (True; difficult; p. 85)

19. In stage three of an organization going international, managers aggressively pursue international markets and may license or franchise to another firm the right to use the organization’s brand name, technology, or product specifications.
   (True; difficult; p. 86)

MANAGING IN A GLOBAL ENVIRONMENT

20. The legal–political environment is an important factor of managing in a foreign environment.
   (True; easy; p. 87)

21. Only when a country’s legal–political environment is unstable or revolutionary is it of concern to managers.
   (False; easy; p. 87)

22. Research indicates that organizational culture has a stronger impact on employees than national culture.
   (False; difficult; p. 89)

23. Mexico is an example of a collectivist nation.
   (True; difficult; p. 90)

24. The United States is an example of a country with lower power distance.
   (True; moderate; p. 90)

25. An increased level of anxiety among its people characterizes a society with high uncertainty avoidance.
   (True; easy; p. 90)

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26. Hofstede found that the U.S. culture is well above average on quantity-of-life measures of culture.
   (True; easy; p. 90)

27. GLOBE stands for Global Leadership and Organizational Behavior Effectiveness.
   (True; easy; p. 90)

MULTIPLE-CHOICE QUESTIONS
For each of the following choose the answer that most completely answers the question.

WHAT’S YOUR GLOBAL PERSPECTIVE?

28. 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. 78)

29. In a global marketplace managers must ____________.
   a. deal with economic, political, and cultural differences
   b. expect competitors to suddenly appear at any time from any place
   c. not take specific differences of a local environment into consideration
   d. a and b
   (d; moderate; p. 78)

30. 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 German
   (a; easy; p. 79)

31. Which of the following describes the current state of the world use of languages?
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a. Germans and Italians, unlike other Europeans, only speak their native language.
b. Americans tend to study many other languages in school.
c. Most Japanese begin learning English by their third year of high school.
d. Americans tend to think of English as the only international business language.

(d; moderate; p. 79)

32. Ethnocentric views concentrate on their ____________.
   a. home country
   b. host country
   c. world orientation
   d. racial orientation

(a; easy; p. 80)

33. ____________ is a sign that Americans suffer from parochialism.
   a. Multinationalism
   b. Monolingualism
   c. Geocentrism
   d. Polycentrism

(b; moderate; p. 79)

34. 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. 79)

35. 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.

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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. 80)

36. Which of the following is the least favorable attitude for an American manager who wishes to be successful in international business?
a. multicultural
b. multicountry
c. ethnocentric
d. polycentric
(c; easy; p. 80)

37. Managers with a(n) __________ attitude view every foreign operation as different and hard to understand.
a. geocentric
b. ethnocentric
c. selfless
d. sensitive and caring
(b; moderate; p. 80)

38. Successful global management requires an attitude that is best described as ____________.
a. ethnocentric
b. parochial
c. polycentric
d. geocentric
(d; easy; p. 80)

39. A(n) __________ attitude is characterized by parochialism.
a. geocentric
b. nonlinguistic
c. selfless
d. ethnocentric
(d; moderate; p. 80)

40. A(n) __________ attitude is the view that host-country managers know the best practices for running their operations.
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41. The geocentric attitude is a _____________ view.
   a. national
   b. world
   c. culture-bound
   d. narrow
   (b; moderate; p. 80)

42. _____________ management requires enhanced sensitivity to differences in national customs and practices.
   a. Ethnocentric
   b. Polycentric
   c. Global
   d. Parochial
   (c; moderate; p. 81)

43. Successful global management requires _____________.
   a. rigid application of home-country practices
   b. enhanced sensitivity to differences in national customs and practices
   c. Americanization of foreign managers
   d. teaching English to foreign nationals
   (b; moderate; p. 81)

UNDERSTANDING THE GLOBAL ENVIRONMENT

44. The _____________ was created by the unification of 12 countries in Europe.
   a. European Common Market
   b. European Union
   c. Western European Alliance
   d. Trans-European Market (TEM)
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45. 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)

46. The principle reason for formation of the regional trading alliance in Europe was to reduce the power of the
   United States and ________.
   a. Canada
   b. Mexico
   c. Japan
   d. Russia

47. 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

48. The single EU currency will be called the ____________.
   a. franc
   b. franc-mark
   c. pound
   d. euro
49. The European Union consists of ___________.
   a. 12 countries  
   b. 15 countries 
   c. 12 countries with plans to add more  
   d. 25 countries with plans to add 2 more in 2007  
   (d; difficult; p. 81)

50. Within the members 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. 82)

51. The primary motivation for joining the European Union was ________________.
   a. to reduce the economic competitiveness with other parts of the world 
   b. to increase the political power of European countries in worldwide peace negotiations 
   c. to control tax exemptions within Europe and encourage intermember cooperation in apprehending tax cheaters  
   d. to reassert their economic power against America and Japan
   (d; moderate; p. 82)

52. The North American Free Trade Agreement ________________.
   a. includes Mexico, Canada, and the United States  
   b. includes Mexico, Brazil, and Columbia  
   c. reduced trade between the United States and Canada  
   d. reduced the economic power of Canada and the United States and increased the power of Mexico
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53. Thirty-six countries in the Caribbean region, South America, and Central America are developing a regional trade alliance called _________.
   a. NAFTA
   b. FTAA
   c. Mercosur
   d. ASEAN

54. The overall effect of the North American Free Trade Agreement was to ________________.
   a. eliminate the need for import licensing
   b. increase the customs user fees while reducing tariffs
   c. reduce trade between Mexico and the United States
   d. increase trade between the United States and Venezuela

55. 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

56. Multinational corporations (MNCs) have only become commonplace since approximately what date?
   a. mid-1960s
   b. mid-1970s
   c. 1945
   d. mid-1980s

57. The Association of Southeast Asian Nations includes _________________.
   a. the members of the European Union and India
   b. the members of the North American Free Trade Agreement and the European Union
c. the countries of the former Soviet Union  
d. none of the above  
(d; difficult; p. 83)

58. Multinational corporations are known for _____________.  
a. ethnocentric attitudes  
b. polycentric attitudes  
c. multicentric attitudes  
d. having their holdings in one country  
(a; moderate; p. 84)

59. Transnational 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. 84)

60. 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. 85)

61. Borderless organizations are developed to _________________.  
a. increase efficiency  
b. increase effectiveness  
c. become more aggressive in international sales  
d. all of the above  
(d; moderate; p. 85)  
http://vustudents.ning.com
62. A borderless organization _________________.
   a. utilizes ethnocentrism
   b. focuses its efforts on a polycentric attitude
   c. globalizes by eliminating structural divisions that impose artificial geographical barriers
   d. is another version of a multinational organization
   (c; difficult; p. 85)

63. Which of the following is a basic definition of a multinational corporation?
   a. a company that maintains significant operations in at least two different countries
   b. a company that maintains significant operations in at least two different countries but is based in one home country
   c. a company that maintains significant operations in at least two different countries and has multiple home bases
   d. a company that does business and pays taxes in at least two countries
   (b; difficult; p. 84)

64. Which of the following is the basic difference between multinational corporations and transnational corporations?
   a. Multinational corporations typically do business with more countries than transnational corporations do.
   b. Transnational corporations are run by the parent company but must be owned by a local, national company.
   c. Decision making in transnational corporations takes place locally rather than from the home country.
   d. Multinational corporations pay more in taxes than transnational corporations do.
   (c; difficult; p. 84)

65. Which of the following is not a feature of a transnational 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; p. 84)

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66. Which of the following types of global organizations reflects the polycentric attitude?
   a. multinational
   b. transnational
   c. polycentric
   d. regional
   (b; difficult; p. 84)

67. How many stages are there in an organization’s evolution into a global organization?
   a. one
   b. two
   c. three
   d. five
   (c; easy; p. 85)

68. In an attempt to be more aggressive, a company might export and import more. This is referred to as the __________.
   a. Stage I of doing business globally
   b. Stage II of doing business in a polycentric manner
   c. Stage III of business incorporation
   d. abnormal operations for an geocentric organization
   (a; difficult; p. 85)

69. In Stage II of doing business globally, an organization would ________________.
   a. begin importing and exporting
   b. begin importing, but not exporting goods
   c. send employees to foreign countries as salespeople or hire brokers in other countries
   d. keep employees in the home country
   (c; moderate; p. 85)

70. In Stage III of doing business globally, an organization would utilize ________________.
   a. licensing and franchising
   b. strategic alliances

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71. Which of the following characterizes the first stage of an organization’s global evolution?
   a. exporting its products to other countries
   b. cross-culturally training its managers
   c. hiring foreign brokers to represent the organization’s product line
   d. sending domestic employees on regular foreign business trips
   (a; difficult; p. 85)

72. Which of the following characterizes Stage II of an organization’s global evolution?
   a. exporting its products to other countries
   b. cross-culturally training its managers
   c. hiring foreign representation
   d. licensing another firm to use its brand name
   (c; difficult; p. 85)

73. Joint ventures are also termed ___________.
   a. licenses
   b. franchises
   c. foreign subsidiaries
   d. strategic alliances
   (d; moderate; p. 86)

74. Creating a strategic alliance occurs during which stage of an organization’s global evolution?
   a. I
   b. II
   c. III

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75. 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. 86)

76. Which of the following characterizes Stage III of an organization’s global evolution?
   a. Cross-culturally training its managers
   b. Sending domestic employees on regular foreign business trips
   c. Hiring foreign brokers to represent the organization’s product line
   d. Management may create a joint venture
   (d; difficult; p. 86)

77. ____________ present(s) the greatest risk to an organization going international.
   a. Joint ventures
   b. Strategic alliances
   c. Licensing
   d. Foreign subsidiaries
   (d; difficult; p. 86)

MANAGING IN A GLOBAL ENVIRONMENT

78. Which of the following is not listed by your textbook as an area of significant challenge for an American manager working in a foreign country?
   a. legal environment
   b. economic environment
   c. cultural environment
   d. religious environment
   (d; difficult; p. 87)

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79. From an economic standpoint, a threat to the global manager is _________________.  
   a. widely fluctuating inflation rates in foreign countries  
   b. marginal revenues exceeding marginal costs  
   c. a stable exchange rate between currencies in various countries  
   d. all of the above  
   (a; easy; p. 87)  

80. Compared to many other countries, the U.S. legal–political environment is considered _____________.  
   a. radical  
   b. stable  
   c. unstable  
   d. fixed  
   (b; moderate; p. 87)  

81. Compared to many other countries, changes to the U.S. legal–political environment are considered ___________.  
   a. very fast and effective  
   b. fast, but not efficient  
   c. radical  
   d. slow  
   (d; moderate; p. 87)  

82. The reason that a nation’s cultural differences are the most difficult to gain information about is because _________________.  
   a. people tend to be sensitive about their own culture  
   b. providing this information to foreign organizations reduces a competitive business advantage  
   c. there is little written on the issue  
   d. “natives” are least capable of explaining the unique characteristics of their own culture  
   (d; difficult; p. 89)  

83. According to the textbook, the most valuable framework to help managers better understand differences between national cultures was developed by _________________.  
   a. Milton Friedman  
   (http://vustudents.ning.com)
84. ___________ 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. Quantity of life
   d. Uncertainty avoidance
   (b; easy; p. 90)

85. 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. In a meeting, organizational representatives have widely different status and titles.
   (d; moderate; p. 90)

86. ___________ is a cultural measure of the degree to which people will tolerate risk and unconventional behavior.
   a. Power distance
   b. Uncertainty avoidance
   c. Quantity of life
   d. Quality of life
   (b; easy; p. 90)

87. According to the textbook, 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
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c. high uncertainty avoidance
d. low uncertainty avoidance

(c; easy; p. 90)

88. In a society with a large ____________, titles, rank, and status carry a lot of weight.
   a. collectivism
   b. power distance
   c. compassionate conservatism
   d. uncertainty avoidance

(b; difficult; p. 90)

89. ___________ is a national culture attribute describing the extent to which societal values are characterized by assertiveness and materialism.
   a. Power distance
   b. Uncertainty avoidance
   c. Quantity of life
   d. Quality of life

(c; moderate; p. 90)

90. ___________ is a national culture attribute that reflects the emphasis placed on relationships and concern for others.
   a. Power distance
   b. Uncertainty avoidance
   c. Quantity of life
   d. Quality of life

(d; moderate; p. 90)

91. Which of the following is most like the United States in terms of power distance, uncertainty avoidance, and quantity-of-life dimensions?
   a. Singapore
   b. Great Britain

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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. His goal is to scout out potential locations and basically provide input on how the company should proceed with expansion abroad. There are many options, including maintaining the business’ head office in the United States and sending over company representatives when necessary or developing a separate company in Europe and hiring locals as managers. In any case, he is confident about this trip but is somewhat concerned about the strange habits and foreign languages (if only they would just speak English like everyone else!).

92. Bill’s tendency to view the world only through his U.S.-based eyes and perspectives is an international business problem known as which of the following?
   a. nondiversity
   b. discrimination
   c. parochialism
   d. monolingualism
   (c; moderate; p. 79)

93. If Bill’s company decided to open another company in France but maintain the base in the United States, it would be considered _____________.
   a. a transnational corporation
   b. an international company
   c. a regional trade alliance
   d. a multinational corporation

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94. If Bill’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. an international company
   c. a regional trade alliance
   d. a multinational corporation
   (a; moderate; p. 84)

95. If Bill’s company eliminated country-designated locations and reorganized based on industry groups, it would best be considered a _______________.
   a. borderless organization
   b. transnational organization
   c. global business alliance
   d. multinational corporation
   (a; moderate; p. 85)

96. 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. 85)

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.

97. Jane decides to enroll in a foreign language class to help her overcome her _______________.
   a. parochialism
   b. ethnocentric attitude
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98. 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. parochialistic
   b. polycentric
   c. ethnocentric
   d. geocentric
   (c; moderate; p. 79)

99. 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. 80)

100. Jane selects a class that helps to learn about licensing, franchises, strategic alliances, and joint ventures. She hopes to find an employer who is or plans to move toward being in ________ of their global business operations.
    a. Stage I
    b. Stage II
    c. Stage III
    d. Stage IV
    (c; moderate; p. 85)

101. In the university catalog she finds a class description that includes the acronyms, EU, NAFTA, FTAA, and ASEAN. These refer to ________________.
    a. regional trade alliances
    b. foreign airlines
    c. soccer teams in Europe
    
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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.

What is Your Global Perspective?

102. Theodore and James feel that people in foreign countries will not have the skills, expertise, knowledge, or experience to write, sell, or install the software. They have a(n) ________ attitude.
   a. self-righteous
   b. ethnocentric
   c. polycentric
   d. geocentric

103. After Theodore and James began their company’s operations in the United States, they realized that a regional trade agreement existed that would allow them to avoid tariffs in ________.
   a. Japan and Germany
   b. Europe
   c. Western, but not Eastern Europe
   d. Mexico and Canada

104. The international operations in this firm grew. Theodore and James have come to see that decentralized management using foreign nationals to run operations in their home countries works well. Their firm has developed into a(n) ____________ organization.
   a. transnational
   b. multinational
   c. borderless
   d. international
105. 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 a global role of a ___________ organization.
   a. Stage I
   b. Stage II
   c. Stage III
   d. multinational
   (c; difficult; p. 85)

106. 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. This agreement is known as a ________________.
   a. strategic alliance
   b. licensing agreement
   c. franchise
   d. foreign subsidiary
   (c; difficult; p. 86)

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 are trying to decide what is the best information you can present in the allotted half hour.

107. One of the hottest topics of your talk will be NAFTA, an issue that has the attention of the local business community. You realize that the results are not in, but one outcome that seems certain is that ___________.
   a. the United States will definitely come out the worst of the three nations
   b. Canada will profit the most in this arrangement
   c. the expansion of NAFTA would be essential to North America’s future competitiveness and economic power
   d. U.S. high-tech companies, such as computer manufacturers, will be hit hard
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108. You will close by giving them a likely view of the future of NAFTA, which suggests that

a. it will likely disband by the year 2010
b. it is expected to merge with the EU by 2020
c. other Latin American counties will soon become partners
d. Cuba is the next partner in NAFTA
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.

109. 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. boring
   d. extreme
   (a; easy; p. 87)

110. 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. 90)

111. 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 ________________.
   a. uncertainty avoidance
   b. quality of life
   c. quantity of life
   d. power distance
   (d; moderate; p. 90)

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112. 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. quality of life
   c. quantity of life
   d. power distance

(a; moderate; p. 90)

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.

113. 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. 86)

114. If the company that has hired you is primarily used by service organizations, it is a ________________.
   a. licensing company
   b. franchising company
   c. strategic alliance
   d. joint venture

(b; moderate; p. 86)

115. 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, than it is a ________________.
   a. licensing company
   b. franchising company

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c. strategic alliance

d. joint venture

(c; moderate; p. 86)

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.

116. 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; difficult; p. 90)

117. 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. 90)

118. 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 high quantity of life. He probably lives in _____________.

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ESSAY QUESTIONS

WHAT’S YOUR GLOBAL PERSPECTIVE?

119. 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 when a person views the world solely through his or her own eyes and perspectives. People with a parochial attitude do not recognize that other people have different ways of living and working. Parochialism is a significant obstacle for many managers working in a global business world. If managers fall into the trap of ignoring foreign values and customs and rigidly apply an attitude of “ours is better than theirs” to foreign cultures, they will find it difficult to compete with other managers and organizations around the world that are seeking to understand foreign customs and market differences.

(easy; p. 79)

120. 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; p. 80)

UNDERSTANDING THE GLOBAL ENVIRONMENT

121. 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. Three other countries—Austria, Finland, and Sweden—joined the group in 1995. The current EU membership covers a population base of over 374 million people. 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.

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. Since 1994, when NAFTA went into effect, and 1998, U.S. trade with Canada increased 56 percent to $329.9 billion, and U.S. trade with Mexico increased 113 percent to $173.4 billion. Eliminating the barriers to free trade 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; p. 81)

122. In a short essay, explain the difference between a multinational corporation (MNC), a transnational corporation (TNC), and a borderless organization. Include examples of companies for each of the types of organizations discussed.

Answer

a. Multinational corporation—these organizations—which maintain significant operations in multiple countries but are managed from a base in the home country—inaugurated the rapid growth in international trade. With its focus on control from the home country, the MNC is characteristic of the ethnocentric attitude. Some examples of companies that can be considered MNCs include Sony, Deutsche Bank AG, ExxonMobil, and Merrill Lynch. Although these companies have considerable global holdings, management decisions with company-wide implications are made from headquarters in the home country.

b. Transnational corporation (TNC)—this company maintains significant operations in more than one country but decentralizes management 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, nationals typically are hired to run operations in each country, and marketing strategies for each country are tailored to that country’s unique characteristics. This type of global organization reflects the polycentric attitude. For example, Switzerland-based Nestlé, the world’s largest food company, can be described as a transnational. With operations in almost every country on the globe, its managers match the company’s products to its consumers. In parts of Europe, Nestlé sells products that are not available in the United States or Latin America.

c. Borderless organization—because of the increasingly global environment, many large well-known companies are moving to more effectively globalize their management structure by eliminating structural divisions that impose artificial geographical barriers. The borderless organization approaches global business from a geocentric attitude. For example, IBM dropped its organizational structure based on country and reorganized into 14 industry groups. Borderless management is an attempt by organizations to increase efficiency and effectiveness in a competitive global marketplace.

(difficult; p. 84)

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123. 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. Quantity versus quality of life—some cultures emphasize the quantity of life and value things such as assertiveness and the acquisition of money and material goods. Other cultures that emphasize quality of life value relationships and show sensitivity and concern for the welfare of 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. 90)