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

A. QUESTIONS CHAPTER 4

1. Born globals and focal firm internationalization are categorized under which of the following theories of international trade and investment?
   a. nation-level theory
   b. firm-level theory
   c. competitive advantage
   d. comparative advantage
   (b; p. 95; concept; Learning Objective 1; moderate)

2. Which of the following statements would be supported by Michael Porter?
   a. Economic prosperity depends on inherited national advantages.
   b. Company structure inhibits creativity and competition.
   c. Excessive competition drives focal firms to rival nations.
   d. Rivalry among industry competitors spurs innovation.
   (d; pp. 104; concept; Learning Objective 3; difficult; AACSB: Reflective Thinking)

3. The collaboration between public and private sectors in an attempt to initiate economic development is known by which of the following terms?
   a. national endowment policy
   b. national fiscal policy
   c. national industrial policy
   d. national globalization policy
   (c; p. 106; concept; Learning Objective 3; moderate)

4. Which of the following statements best supports the concept of new trade theory?
   a. Decreasing returns to scale allow nations to specialize in fewer industries.
   b. Some industries must increase production volume to achieve international success.
   c. International trade only benefits countries that produce a variety of products.
   d. Countries with successful international trade invest in competitive industries.
   (b; pp. 108; concept; Learning Objective 3; difficult)

5. What is suggested by the increasing number of early internationalizing focal firms?
   a. Born globals will become typical in the world of international trade.
   b. The size of born globals cannot sustain the rigors of international trade.
   c. Competition among born globals will eliminate multinational enterprises.
   d. The economic stability of born globals threatens international trade.
   (a; p. 110; concept; Learning Objective 4; difficult; AACSB: Analytic Skills)

6. Which theory supports the idea that a firm chooses FDI as an entry strategy because an MNE can operate foreign subsidiaries more profitably than a local firm?
   a. factor proportions theory
   b. eclectic paradigm
   c. internalization theory
   d. monopolistic advantage theory
7. Which of the following is a benefit of internalizing foreign-based value-chain activities?
   a. The MNE maintains a monopolistic presence in foreign countries.
   b. The MNE eliminates the expense of freight forwarders and customs brokers.
   c. The MNE oversees control of foreign operations and ensures product quality.
   d. The MNE learns new manufacturing methods from foreign partners.

8. Which of the following is considered the most important monopolistic advantage?
   a. physical assets
   b. skilled labor
   c. inexpensive capital
   d. proprietary knowledge

9. Networks are characterized by all of the following except __________.
   a. interactions between buyers and sellers are enhanced by competition among focal firms
   b. buyers and sellers become connected through ongoing exchanges of products and services
   c. stable relationships develop as a result of continued interaction between buyers and sellers
   d. mutually beneficial relationships prove advantageous to buyers and sellers by reducing transaction costs

Earth-Rite Organic Foods (Scenario)
Earth-Rite Organic Foods is an MNE based in Sweden with subsidiaries located in numerous countries around the world. Earth-Rite has annual sales of $40 billion dollars and employs more than 90,000 individuals worldwide. Earth-Rite currently dominates the organic food industry, but competitors are beginning to catch up because of a growing demand for organic food. Earth-Rite is considering a “collaborative venture” with a small chain of organic grocery stores located in Brazil, a country where Earth-Rite has no stores.

10. Which of the following would be most important for Earth-Rite executives to consider when deciding whether to collaborate with the Brazilian grocery store chain?
    a. How much money will Earth-Rite save on advertising by entering a joint venture?
    b. Will a collaborative venture enable Earth-Rite to internationalize rapidly in Brazil?
    c. What is the density of international trade facilitators in Brazil?
    d. Who will be responsible for training grocery store employees in Brazil?

11. Earth-Rite executives are considering entering the Brazilian market via wholly-owned FDI and internalizing operations. Which of the following reasons best support the FDI plan?
    a. The Brazilian government would impose tariffs.
    b. Earth-Rite would risk losing trade secrets.
    c. Earth-Rite would retain control of product quality.
    d. Profits would increase as a result of a joint venture.
B. QUESTIONS CHAPTER 5

12. Using one’s own culture as a standard for the judgment of other cultures is known by which of the following terms?
   a. anthropocentric orientation
   b. ethnocentric orientation
   c. geocentric orientation
   d. polycentric orientation
   (b; p. 128; concept; Learning Objective 1; easy)

13. High power-distance countries are characterized by which of the following?
   a. a political interest in maintaining a middle-class status for all citizens
   b. a desire to minimize gaps between the wealthy and the impoverished
   c. a lack of concern regarding the inequalities between the weak and the powerful
   d. an autocratic government intent on maintaining the status quo
   (c; p. 138; concept; Learning Objective 5; difficult)

14. Firms that would rate high on power-distance would most likely be characterized by which of the following?
   a. concentrated power among executives and little autonomy for subordinates
   b. equalized power among executives, managers, and subordinates
   c. minimal power among executives and concentrated power among mid-level managers
   d. total autonomy for executives, managers, and subordinates
   (a; p. 138; context; Learning Objective 5; difficult)

Restaurant Chain Internationalization (Scenario)
The British restaurant chain, Winchester Fish & Chips (WFC), is considering the idea of opening a restaurant in Sweden. The president of WFC believes worldwide demand for fish & chips is growing and that Sweden could be a profitable market in which the firm could internationalize. WFC executives are in the process of gathering information in preparation for a board meeting in which a vote will be taken on the plan to open a restaurant in Sweden.

15. Which of the following should be considered in making the decision regarding whether WFC should open a restaurant in Sweden?
   a. In which foreign city would WFC be successful?
   b. What style of food do Swedes typically enjoy eating?
   c. How successful has WFC been in Canada?
   d. What British firms have recently entered the Swedish market?
   (b; pp. 146-147; application; Learning Objective 8; difficult; AACSB: Analytic Skills)

16. Which of the following would be more important to evaluate before WFC internationalizes its operations?
   a. Has the increased presence of British culture in North America popularized fish & chips?
   b. Has global homogenization increased the likelihood that Swedes will try food from a different culture?
   c. What culturally related food products are available to consumers as a result of a globalized market?
   d. Has cross-cultural integration promoted a resistance in the world to British food products and consumerism?
   (b; pp. 146-147; application; Learning Objective 8; difficult; AACSB: Analytic Skills)

Phone Center (Scenario)
The Technix Computer Corporation recently finished construction of a customer service phone center in New Delhi, India. Phone center agents will be responsible for answering technical questions from customers around the globe. Technix has hired 55 local computer experts as phone agents, and a
training session is underway. Technical specialists and call center specialists from the United States have flown to India to train the new Indian employees. Hank Patelli, a senior manager of a Technix phone center in Michigan, will oversee the New Delhi phone center for six months until a local manager can be hired and trained to replace him.

17. Which of the following character traits will be the most useful to Hank during his time in the New Delhi service center?
   a. assertiveness
   b. adaptability
   c. compassion
   d. clarity
   (b; p. 149; application; Learning Objective 9; moderate; AACSB: Analytic Skills)

18. After the first training session, a number of the Michigan employees expressed frustration that the Indian employees lacked technical knowledge because none of them asked questions or offered answers. Which of the following would be the best way for Hank to handle the situation?
   a. Remind the American employees that the Indians may be showing respect by remaining silent.
   b. Order the Indian employees to interact more during the session.
   c. Host a traditional American barbeque so the American and Indian employees can get acquainted.
   d. Ignore the complaints of the American employees and continue the training sessions as planned.
   (a; pp. 149; application; Learning Objective 9; difficult; AACSB: Analytic Skills)

C. QUESTIONS CHAPTER 6

19. A company’s potential loss of profitability caused by a nation’s political or legal setting is known by which of the following terms?
   a. commercial risk
   b. currency risk
   c. cross-cultural risk
   d. country risk
   (d; p. 160; concept; Learning Objective 1; moderate)

20. Which of the following characterizes country risk?
   a. The political and legal systems of adjacent nations greatly impact the country risk of nations that host foreign firms.
   b. Country risk changes only after the creation of laws and regulations that affect foreign firms.
   c. A nation’s country risk level remains fairly constant until the election and installation of a new political leader.
   d. Although country risk never disappears, its intensity fluctuates with political changes and legal happenings.
   (d; p. 163; concept; Learning Objective 1; difficult; AACSB: Analytic Skills)

THE LEGAL SYSTEM

21. An effective legal system is characterized by which of the following?
   a. ineffectual government restrictions
   b. systematically enforced laws and regulations
   c. political involvement in business transactions
   d. state-mandated judiciary organizations
   (b; p. 169; concept; Learning Objective 3; moderate)

22. Repatriation laws affect MNEs that earn profits in foreign countries by ________.
   a. enforcing strict stipulations on cross-border transactions and joint ventures
   b. limiting the amount of net income and dividends that can be transferred to the home-country headquarters
   c. restricting the amount of money that can be re-invested into the foreign facility"
d. imposing restrictions on the distribution of products from the foreign facility
(b; p. 176; concept; Learning Objective 6; difficult; AACSB: Analytic Skills)

Host Country Legal System (Scenario)
Super Sports, a large sporting goods chain based in Australia, wants to open a store in Norway. With stores around the world, Super Sports executives realize that legal systems vary from country to country. Having never opened a store in Norway, the Super Sports legal team is investigating Norwegian laws to determine how they would impact the corporation and its ability to do business in Norway.

23. Which of the following is the most important issue to consider when determining the best entry strategy for Super Sports?
   a. What are the regulations regarding income repatriation?
   b. What type of promotion and advertising is prohibited?
   c. What are the restrictions on inward foreign direct investment?
   d. Is the recycling of product packaging mandatory?
(c; p. 175; application; Learning Concept 6; difficult; AACSB: Analytic Skills)

24. Which of the following supports a decision in favor of Super Sports opening a store in Norway?
   a. MNEs may transfer profits back to the home country without restriction.
   b. The opening of warehouse-style stores requires the approval of local retailers.
   c. Product injury cases generally rule in favor of plaintiffs regardless of evidence.
   d. Advertising and marketing are banned under local distribution laws.
(a; p. 176; application; Learning Concept 6; moderate; AACSB: Analytic Skills)

25. Which of the following would most likely be opposed to Super Sports opening a store in Norway?
   a. labor unions
   b. local sports retailers
   c. international banks
   d. local sports enthusiasts
(b; p. 175; application; Learning Concept 6; moderate; AACSB: Analytic Skills)