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Chapter 2 Environmental Contraints on Managers

1) The part of the environment that is directly relevant to achievement of an organization's goals is the specific environment.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 18
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

2) The term *suppliers* includes providers of financial and labour inputs.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

3) To a national television network like the CBC, your home DVD player could be considered a competitor.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

4) Economic conditions are part of the organization's specific environment.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

5) Demographic conditions are part of the organization's general environment.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 21
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

6) Shareholders are defined as any constituency in the organization's external environment that may be affected by the organization's decisions and actions.
Answer: FALSE
Diff: 3 Type: TF Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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7) Millennials are referred to as competitive, idealistic, team players.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 23
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

8) The European Union (EU) and the North American Free Trade Agreement (NAFTA) have both created regional trading alliances.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 24
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

9) The General Agreement on Tariffs and Trade (GATT) was signed in 1992 to create the EU.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 24
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

10) Through the creation of the EU, each member country now has increased border controls, nationalist policies, and protected industries.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 24
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

11) The three original partners of NAFTA are Canada, the United States, and Mexico.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 25
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

12) NAFTA has strengthened the economic power of all three member countries.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 25
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

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13) The World Trade Organization was formed in 1995 and evolved from the Maastricht Treaty, an agreement in effect since the end of World War II.
Answer: FALSE
Diff: 3 Type: TF Page Ref: 25
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

14) The legal/political environment is an important factor of managing in a foreign environment.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 26
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

15) Only when a country's legal/political environment is unstable or revolutionary is it of concern to managers.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 26
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

16) Research indicates that organizational culture has a stronger impact on employees than national culture.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

17) A planned economy is one in which resources are primarily owned and controlled by the private sector.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 26
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

18) Power distance refers to the degree to which a society encourages people to be tough, confrontational, assertive, and competitive.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

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19) People in a society that is high in uncertainty avoidance don't feel threatened by uncertainty and experience low levels of anxiety, stress, and aggressiveness.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

20) Canada is an example of a country with small power distance.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 28
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

21) A society with high uncertainty avoidance relies on rules and trusts its social institutions to deal with an uncertain future.
Answer: TRUE
Diff: 3 Type: TF Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Analytical Thinking

22) Cultures with a high assertiveness rating tend to have people who are timid and shy.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Analytical Thinking

23) Multinational corporations became commonplace in the mid-1960s.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 29
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

24) By decentralizing management authority to the local country, the transnational corporation reflects an ethnocentric attitude.
Answer: FALSE
Diff: 3 Type: TF Page Ref: 30
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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25) "Born globals" are companies that choose to go global from inception; they commit resources up front (material, people, financing) to do business in more than one country.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

26) Multidomestic corporations use one strategy for all global operations based on the different domestic influences that are present in the firm's original home market.
Answer: FALSE
Diff: 3 Type: TF Page Ref: 29
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

27) Transnational corporations run their businesses from their home country.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

28) Global outsourcing refers to the practice of purchasing materials or labour from around the world wherever it is cheapest.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

29) Importing is an approach to going global that involves making products at home and selling them overseas.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 31
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

30) Setting up a foreign subsidiary involves a higher degree of risk and commitment than franchising.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Analytical Thinking

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31) Multinational corporations maintain significant operations in two or more countries simultaneously.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 29
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

32) Transnational corporations run their businesses from their home country.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

33) When organizations go global, they often start by simply exporting products to one or more foreign countries.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

34) After the outsourcing stage, companies that are going global often turn to exporting and importing goods across international borders.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 31
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

35) Licensing and franchising typically follow the export-import phase of globalization.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 31
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

36) In a strategic alliance, companies join together to form a separate entity to produce a product.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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37) The Environmental Uncertainty Matrix ranges in complexity from "stable to dynamic" on the horizontal axis and from "simple to complex" (degree of change) on the vertical axis.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 33
Skill: Recall
Objective: 2.4 How does the environment affect managers?
AACSB: Analytical Thinking

38) The external environment consists of the global environment, _____.
A) organizational culture, and the general environment
B) specific environment, and the general environment
C) primary environment, and the secondary environment
D) primary environment, and the general environment
E) national culture, and the specific environment
Answer: B
Diff: 2 Type: MC Page Ref: 18
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Application of Knowledge

39) An organization's specific environment _____.
A) is unique and changes with conditions
B) is the same regardless of the organization's age
C) is determined by the top level of management
D) includes demographic and technological conditions that may affect the organization
E) includes economic and global conditions that may affect the organization
Answer: A
Diff: 2 Type: MC Page Ref: 18
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

40) The specific environment of organizations consists of external forces that have a direct impact on managers' decisions and actions. The main forces are customers, suppliers, competitors, and _____.
A) legislators
B) pressure groups
C) employees
D) lawyers
E) shareholders
Answer: B
Diff: 2 Type: MC Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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41) Which of the following is an example of a force in the general environment?
A) customers
B) demographics
C) suppliers
D) competitors
E) pressure groups
Answer: B
Diff: 1 Type: MC Page Ref: 21
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

42) The primary goal of managers when dealing with suppliers is to ensure a steady flow of _____.
A) cash from investors into the organization
B) inputs at the lowest price available
C) customers at the distribution outlets
D) industry entrants to help maximize the competition among suppliers
E) cheap labour to produce products at the lowest possible cost
Answer: B
Diff: 2 Type: MC Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

43) For an amusement theme park like Paramount Canada's Wonderland in Toronto, an insurance provider would be an example of which factor in its specific environment?
A) competitor
B) customer
C) pressure group
D) government agency
E) supplier
Answer: E
Diff: 2 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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44) For an organization such as a hospital that needs nurses, the labour union and the local labour market are examples of which factors in its specific environment?
A) pressure group and supplier
B) customer and special-interest group
C) both are examples of suppliers
D) government agency and competitor
E) pressure group and competitor
Answer: C
Diff: 3 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

45) Which of the following is included in an organization's specific environment?
A) interest rates
B) government legislation
C) demographics
D) competitors
E) inflation
Answer: D
Diff: 2 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

46) According to the textbook, the _____ environment includes those external forces that have a direct and immediate impact on managers' decisions and actions and are directly relevant to the achievement of the organization's goals.
A) general
B) specific
C) secondary
D) forward
E) primary
Answer: B
Diff: 1 Type: MC Page Ref: 18
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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47) United Parcel Service represents which factor to Canada Post in its specific environment?
A) competitor
B) supplier
C) customer
D) government agency
E) pressure group
Answer: A
Diff: 2 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

48) Which of the following is an example of a secondary stakeholder?
A) customers
B) creditors
C) suppliers
D) media
E) shareholders
Answer: D
Diff: 2 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

49) Why should organizations be concerned with managing external stakeholder relationships?
A) external stakeholders engage in direct transactions with the organization
B) they are sources of outputs (goods and services)
C) they are sources of inputs (resources)
D) it may lead to less environmental change
Answer: D
Diff: 2 Type: MC Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

50) To a cable television provider like Shaw Cablesystems, a satellite TV company like Bell would be considered a _____.
A) customer
B) supplier
C) pressure group
D) competitor
E) regulator
Answer: D
Diff: 1 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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51) Neighbourhood activists who protest against the building of "big box" stores would be considered which factor in the specific environment for Walmart or Home Depot?
A) competitor
B) pressure group
C) customer
D) government agency
E) supplier
Answer: B
Diff: 2 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Ethical Understanding and Reasoning

52) The global environment of an organization includes which of the following?
A) demographic conditions
B) issues directly relevant to achieving organizational goals
C) stakeholders
D) suppliers
E) pressure groups
Answer: A
Diff: 1 Type: MC Page Ref: 22
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Application of Knowledge

53) Which of the following is usually part of an organization's general environment?
A) weather conditions
B) political conditions
C) competitors
D) suppliers
E) pressure groups
Answer: B
Diff: 2 Type: MC Page Ref: 21
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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54) Interest rates, inflation rates, and stock market indexes are all examples of what factor in an organization's general environment?
A) economic
B) political
C) sociocultural
D) technological
E) legal
Answer: A
Diff: 1 Type: MC Page Ref: 21
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

55) A downturn in contributions from the public to the United Way charity is an example of the impact from what factor in the charity's general environment?
A) political
B) sociocultural
C) technological
D) economic
E) global
Answer: D
Diff: 2 Type: MC Page Ref: 21
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

56) The Canadian Human Rights Act is an example of a _____.
A) sociolegal condition
B) political/legal condition
C) political/sociological condition
D) sociocultural condition
E) demographic condition
Answer: B
Diff: 3 Type: MC Page Ref: 23
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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57) Which Act makes it illegal for employers to discriminate on the basis of race, national or ethnic origin, colour, religion, age, sex, marital status, mental or physical disability, or sexual orientation?
A) Canada's Human Rights Act
B) Canada's Employment Equity Act
C) Canada's Competition Act
D) Canada's Civil Liberties Act
E) Canadian Charter of Rights and Freedoms
Answer: A
Diff: 3 Type: MC Page Ref: 23
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

58) Sociocultural conditions consist of the _____.
A) demographic profiles of an organization's suppliers
B) laws that govern human rights and the competitive activities of organizations in a society
C) level of unemployment and real economic incomes of workers
D) changing expectations of the society in which organizations operate
E) socialization processes that help to maintain organizational cultures
Answer: D
Diff: 3 Type: MC Page Ref: 22
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

59) When researchers discovered a link between trans fatty acids and heart disease, many consumers became concerned. As a result, Ontario-based Voortman's Cookies decided to eliminate all trans fats from its products. Voortman's was responding to changing _____ conditions.
A) political/legal
B) economic
C) technological
D) sociocultural
E) competitive
Answer: D
Diff: 3 Type: MC Page Ref: 22
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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60) As employees have begun to seek more balance in their lives, organizations have had to adjust by offering family leave policies, more flexible work hours, and even on-site child care facilities. This is an example of how changing _____ conditions can affect an organization.
A) demographic
B) economic
C) sociocultural
D) technological
E) political/legal
Answer: C
Diff: 3 Type: MC Page Ref: 22
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

61) As more consumers have become aware of the use of rendered feed and the poor treatment of chickens in many large-scale poultry farms, some farm managers have switched to all-natural feed and "free range" breeding methods. This is an example of how changing _____ conditions can affect an organization.
A) demographic
B) economic
C) sociocultural
D) technological
E) political/legal
Answer: C
Diff: 3 Type: MC Page Ref: 22
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

62) Human resources managers are increasingly using the Internet to search for qualified candidates through online résumé systems and job-posting websites. This is an example of how changing _____ conditions can affect an organization.
A) demographic
B) economic
C) sociocultural
D) technological
E) political/legal
Answer: D
Diff: 2 Type: MC Page Ref: 22
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Information Technology

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63) For most organizations, the most rapidly changing factor has been _____ conditions.
A) global
B) economic
C) sociocultural
D) technological
E) political/legal
Answer: D
Diff: 2 Type: MC Page Ref: 22
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

64) The enhanced speed and quality of managerial decision making due to improvements in office automation is an example of the impact of which general environmental factor?
A) global
B) sociocultural
C) political
D) technological
E) demographic
Answer: D
Diff: 2 Type: MC Page Ref: 22
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

65) Through the creation of the EU, member countries now have _____.
A) border controls
B) government subsidies
C) nationalistic policies
D) protected industries
E) a single market
Answer: E
Diff: 2 Type: MC Page Ref: 24
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

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66) Which of the following is a trading alliance of Southeast Asian nations?
A) NAFTA
B) Mercosur
C) Southern Cone Common Market
D) ASEAN
E) FTAA
Answer: D
Diff: 1 Type: MC Page Ref: 25
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

67) The WTO is a global organization that evolved from _____.
A) NAFTA
B) GATT
C) the Maastricht Treaty
D) ASEAN
E) EEC
Answer: B
Diff: 2 Type: MC Page Ref: 25
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

68) Canada's economy is best described as _____.
A) a planned economy with no private sector control
B) a planned economy with some private sector control
C) a market economy with no government control
D) a market economy with some government control
E) a planned economy with some government control
Answer: D
Diff: 2 Type: MC Page Ref: 26
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

69) Three economic issues that a global manager might need to understand include _____.
A) tax policies, political stability, and cultural differences
B) tax policies, employment laws, and cultural differences
C) employment laws, currency exchange rates, and political stability
D) currency exchange rates, inflation rates, and tax policies
E) inflation rates, tax policies, and political stability
Answer: D
Diff: 3 Type: MC Page Ref: 26
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

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70) From a cultural standpoint, research indicates that _____ has a greater effect on employees than _____.
A) organizational culture; national culture
B) organizational culture; religion
C) employment law; religion
D) national culture; employment law
E) national culture; organizational culture
Answer: E
Diff: 3 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

71) The cultural dimension of _____ measures the degree to which the members of a society expect power to be unequally shared.
A) power distance
B) achievement
C) in-group collectivism
D) uncertainty avoidance
E) humane orientation
Answer: A
Diff: 1 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

72) The cultural dimension of _____ measures the degree to which a society relies on social norms and procedures to alleviate the unpredictability of future events.
A) power distance
B) assertiveness
C) performance orientation
D) uncertainty avoidance
E) future orientation
Answer: D
Diff: 3 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

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73) According to Hofstede, managers and employees vary on five dimensions of national culture. Which of the following represents one of the five dimensions that Hofstede identified?
A) masculinity vs femininity
B) freedom vs. restraint
C) open-minded vs. close-minded
D) power avoidance
Answer: A
Diff: 3 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

74) In France, a culture with a high power distance, status within a corporation would largely be _____.
A) measured in the same way it is in the United States
B) based on how much money a person makes
C) based on such things as seniority and educational level
D) based on an individual's personal accomplishments
Answer: C
Diff: 2 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

75) In his study of differences in cultural environments, Geert Hofstede found that _____.
A) people are largely the same from culture to culture with respect to values
B) the views of managers differ greatly from those of employees with respect to values
C) the views of IBM employees differ widely from the general population with respect to values
D) people vary from culture to culture in six value categories
Answer: D
Diff: 2 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

76) _____ is a cultural dimension measured by Hofstede in which people identify strongly with a group within a society.
A) Power distance
B) Collectivism
C) Individualism
D) Uncertainty avoidance
Answer: B
Diff: 1 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

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77) Which of the following would be likely to be TRUE in a country with a high power distance?
A) Hundreds of statues, billboards, and posters of the leader would appear all over the capital.
B) The leader's likeness would appear only in the newspaper from time to time.
C) Top managers and employees would dress in similar ways.
D) Rather than employ a driver, top managers would drive their own cars to work.
Answer: A
Diff: 3 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

78) A country with a high uncertainty avoidance _____.
A) is highly structured and depends on rules and social institutions to cope with uncertainty
B) is highly structured and does not depend on rules and social institutions to cope with uncertainty
C) has no rules
D) has no structure or social institutions
Answer: A
Diff: 2 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

79) In a country with a low uncertainty avoidance, people cope with uncertainty _____.
A) by following rules and depending on social institutions
B) by making new rules
C) largely without rules or strong social institutions
D) by looking to the religious teachings
Answer: C
Diff: 3 Type: MC Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

80) Societies which highly value achievement would tend to be _____.
A) passive
B) excessively polite
C) competitive
D) uncertain
Answer: C
Diff: 2 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

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81) In a society with high _____, you would expect members of a corporation to have a strong identification with the corporation.
A) gender differentiation
B) future orientation
C) in-group collectivism
D) humane orientation
Answer: C
Diff: 2 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

82) When an organization drops its structure based on countries and reorganizes according to industries, it is pursuing a global business approach known as _____.
A) polycentric organization
B) multicultural organization
C) transnational organization
D) multinational organization
E) transactional organization
Answer: C
Diff: 2 Type: MC Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

83) XYZ is an international corporation that has recently changed its philosophy. It has decentralized management and decision making to the local countries in which it operates. XYZ is pursuing a _____ approach.
A) natural global
B) multidomestic
C) global
D) multicultural
E) intra-governmental
Answer: B
Diff: 2 Type: MC Page Ref: 29
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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84) John and Sylvie recently opened a high-tech firm. From its inception the co-founders committed significant resources to the pursuit of business in various countries. John and Sylvie have created a company that can best be classified as a _____ company.
A) born global
B) greenfield franchise
C) venture capitalist
D) strategic international alliance
E) joint alliance
Answer: A
Diff: 2 Type: MC Page Ref: 30
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

85) Which of the following definitions is most accurate for a multinational corporation?
A) a company that maintains significant operations in at least two countries
B) a company that maintains significant operations in at least two countries but is managed from a base in the home country
C) a company that maintains significant operations in at least two countries and has multiple home bases
D) a company that maintains significant operations in at least two countries but decentralizes management to each country
E) a company that maintains significant operations in at least two countries but organizes by industry to reduce geographical barriers
Answer: B
Diff: 2 Type: MC Page Ref: 29
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

86) Which of the following definitions best describes a transnational corporation?
A) a company that maintains significant operations in at least two countries
B) a company that maintains significant operations in at least two countries but is managed from a base in the home country
C) a company that maintains significant operations in at least two countries and has multiple home bases
D) a company that maintains significant operations in at least two countries but decentralizes management to each country
E) a company that maintains significant operations in at least two countries but organizes by industry to reduce geographical barriers
Answer: E
Diff: 2 Type: MC Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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87) IBM is the world's largest information technology company with over 300 000 employees in 170 countries. It used to have a country-based structure, but now it is organized into industry groups to compete more effectively in the global marketplace. IBM is best described as a _____ organization.
A) transnational
B) multinational
C) philanthropic
D) polycentric
E) multicultural
Answer: A
Diff: 3 Type: MC Page Ref: 30
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

88) Which of the following strategies for going global involves the lowest level of risk and investment?
A) exporting
B) foreign contracting
C) licensing and franchising
D) strategic alliances
E) foreign subsidiary
Answer: A
Diff: 2 Type: MC Page Ref: 31
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

89) Which of the following strategies for going global involves the highest level of risk and investment?
A) exporting
B) foreign contracting
C) licensing and franchising
D) strategic alliances
E) foreign subsidiary
Answer: E
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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90) Which of the following strategies for going global involves a higher level of risk and investment than strategic alliances?
A) exporting
B) foreign contracting
C) foreign subsidiary
D) franchising
E) licensing
Answer: C
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

91) Which approach to going global involves making products at home and selling them overseas?
A) importing
B) foreign contracting
C) licensing
D) exporting
E) franchising
Answer: D
Diff: 2 Type: MC Page Ref: 31
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

92) Many organizations, especially small businesses, start doing business globally by _____.
A) exporting and importing
B) licensing and franchising
C) hiring foreign brokers to represent their product line
D) forming joint ventures
E) establishing foreign subsidiaries
Answer: A
Diff: 3 Type: MC Page Ref: 31
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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93) Which approach to going global did McDonald's Canada use when it opened restaurants in Russia?
A) exporting
B) foreign contracting
C) franchising
D) strategic alliances
E) licensing
Answer: C
Diff: 3 Type: MC Page Ref: 31
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

94) A joint venture is a specific type of _____.
A) licensing agreement
B) franchise
C) foreign subsidiary
D) strategic alliance
E) foreign contracting arrangement
Answer: D
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

95) A domestic firm and a foreign firm sharing the cost of developing new products or building production facilities would be called a _____.
A) franchising agreement
B) strategic alliance
C) foreign subsidiary
D) brokering agreement
E) transnational venture
Answer: B
Diff: 2 Type: MC Page Ref: 32
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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96) McDonald's Canada, GM Canada, and IBM Canada are all examples of U.S. _____ operating in Canada.
A) joint ventures
B) strategic alliances
C) transnational ventures
D) subsidiaries
E) franchises
Answer: D
Diff: 3 Type: MC Page Ref: 32
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

97) What could a Canadian manufacturer do to ensure a successful partnership with a foreign distributor?
A) use the same model in all countries
B) purchase materials and labour from around the world
C) create contract safeguards
D) set up a subsidiary
Answer: C
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

98) A multinational corporation (MNC) _____.
A) is any organization that maintains operations in more than one country
B) is defined as a company that has its home base in the United States and various operations overseas
C) includes any company that exports goods overseas
D) is defined as any company that has no "home base"
Answer: A
Diff: 2 Type: MC Page Ref: 29
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

99) Which of the following best characterizes a transnational corporation?
A) a single central home-country management
B) an organization in which multiple operations function with a large degree of autonomy
C) a loose alliance of totally separate, wholly independent companies
D) an organization in which multiple operations are all integrated toward the same goals
Answer: D
Diff: 2 Type: MC Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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100) Which choice constitutes the typical first step for an organization that is "going global"?
A) outsourcing
B) franchising
C) licensing
D) strategic alliance
Answer: A
Diff: 2 Type: MC Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

101) Franchising is used widely by _____.
A) universities
B) accounting firms
C) restaurant chains
D) electric power companies
Answer: C
Diff: 2 Type: MC Page Ref: 31
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

102) A fully global organization might set up a _____ with a foreign company to create a new, independent company that produces a specific product.
A) foreign subsidiary
B) strategic alliance
C) licensing agreement
D) joint venture
Answer: D
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

103) Which of the following is usually found in the final stage of an organization's global evolution?
A) exporting products to other countries
B) outsourcing jobs to foreign countries
C) establishing strategic alliances with partners
D) licensing products in foreign countries
Answer: C
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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104) Of the approaches to pursuing international markets, developing a _____ involves the greatest commitment and risk.
A) franchise
B) joint venture
C) strategic alliance
D) foreign subsidiary
Answer: D
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

105) Joint ventures are a type of _____.
A) license
B) franchise
C) foreign subsidiary
D) strategic alliance
Answer: D
Diff: 2 Type: MC Page Ref: 32
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

106) A Coca-Cola bottling plant in Bolivia is wholly owned by a local businessperson. What kind of venture is this plant likely to be?
A) a franchise
B) a licensed plant
C) a foreign subsidiary
D) a joint venture
Answer: B
Diff: 2 Type: MC Page Ref: 31
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

107) Compared to many other countries, Canada's legal/political environment is considered _____.
A) radical
B) stable
C) unstable
D) fixed
E) dynamic
Answer: B
Diff: 2 Type: MC Page Ref: 33
Skill: Applied
Objective: 2.4 How does the environment affect managers?
AACSB: Application of Knowledge

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108) Which of the following are the two dimensions of environmental uncertainty?
A) degree of change and degree of complexity
B) degree of change and degree of flexibility
C) degree of complexity and degree of impact
D) degree of impact and degree of uncertainty
E) degree of risk and degree of complexity
Answer: A
Diff: 3 Type: MC Page Ref: 33
Skill: Recall
Objective: 2.4 How does the environment affect managers?
AACSB: Analytical Thinking

109) Since the emergence of digital music formats, the recorded music industry has been operating in an environment that is best described as _____.
A) stable
B) static
C) dynamic
D) flexible
E) divergent
Answer: C
Diff: 2 Type: MC Page Ref: 33
Skill: Applied
Objective: 2.4 How does the environment affect managers?
AACSB: Information Technology

110) If the components in an organization's environment change frequently, it is called a _____ environment.
A) dysfunctional
B) divergent
C) dynamic
D) difficult
E) transitory
Answer: C
Diff: 1 Type: MC Page Ref: 33
Skill: Recall
Objective: 2.4 How does the environment affect managers?
AACSB: Analytical Thinking

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111) Managers try to minimize _____ because it is a threat to an organization's effectiveness.
A) product development
B) uncertainty
C) inflation
D) efficiency
E) technology
Answer: B
Diff: 1 Type: MC Page Ref: 34
Skill: Recall
Objective: 2.4 How does the environment affect managers?
AACSB: Analytical Thinking

112) Given a choice, most managers would prefer to operate in environments that are _____.
A) simple and stable
B) simple and dynamic
C) complex and dynamic
D) complex and stable
E) dynamic and flexible
Answer: A
Diff: 3 Type: MC Page Ref: 33
Skill: Recall
Objective: 2.4 How does the environment affect managers?
AACSB: Analytical Thinking

113) _____ are any constituencies in the organization's external environment that are affected by the organization's decisions and actions.
A) Stockholders
B) Pressure groups
C) Suppliers
D) Stakeholders
E) Consumers
Answer: D
Diff: 1 Type: MC Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

114) Globalization can be best characterized as a business climate in which there are _____.
A) rigid international boundaries
B) no international boundaries
C) rigid rules and standards
D) no rules or standards
Answer: B
Diff: 2 Type: MC Page Ref: 34
Skill: Recall
Objective: 2.4 How does the environment affect managers?
AACSB: Application of Knowledge

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115) The degree of _____ refers to the number of components in an organization's environment and the extent of the knowledge that the organization has about those components.
A) stability
B) flexibility
C) complexity
D) change
E) risk
Answer: C
Diff: 3 Type: MC Page Ref: 34
Skill: Recall
Objective: 2.4 How does the environment affect managers?
AACSB: Analytical Thinking

Refer to the Scenario below to answer the questions that follow.

The External Environment (Scenario)

DigiTech Corporation is a manufacturer of handheld language translation devices. There are many forces in the external environment that influence DigiTech, and its managers are monitoring them closely. One factor is the upcoming federal election. If elected, the leading political candidate has promised to cut corporate taxes to help stimulate the economy. Another factor is the emergence of new competitors with products similar to DigiTech's best-selling model: the Speak-Easy. Advances in the processing speed of computer chips have shortened product development cycles and made it easier for new companies to enter the market. Unfortunately, the recent increase in competition has led to supplier shortages of key components like microphones and micro-speakers, and left DigiTech scrambling to find new sources!

116) The external environment of DigiTech consists of the specific environment, _____.
A) primary environment, and secondary environment
B) general environment, and organizational culture
C) primary environment, and global environment
D) general environment, and secondary environment
E) general environment, and global environment
Answer: E
Diff: 1 Type: MC Page Ref: 18
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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117) The upcoming federal election and the potential change of government involves which factor in DigiTech's external environment?
A) economic conditions
B) political/legal conditions
C) sociocultural conditions
D) demographic conditions
E) global conditions
Answer: B
Diff: 2 Type: MC Page Ref: 21
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

118) The politician's promise to lower corporate taxes could affect which factor in DigiTech's external environment?
A) economic conditions
B) political/legal conditions
C) sociocultural conditions
D) technological conditions
E) global conditions
Answer: A
Diff: 3 Type: MC Page Ref: 21
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

119) Rapid changes in _____ conditions have resulted in shorter product development cycles for DigiTech.
A) economic
B) political/legal
C) sociocultural
D) technological
E) global
Answer: D
Diff: 2 Type: MC Page Ref: 22
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Information Technology

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120) In DigiTech's specific environment, the number of _____ is increasing and there are shortages among its key _____.
A) pressure groups; customers
B) customers; competitors
C) competitors; suppliers
D) suppliers; investors
E) investors; agents
Answer: C
Diff: 2 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

Refer to the Scenario below to answer the questions that follow.

First Business Trip to Asia (Scenario)

Jeff Elliott is on a flight across the Pacific and is excited about his first business trip to Asia. Born and raised in Alberta, Jeff is a manager for a rapidly growing Calgary-based company. His current mission is to scout out potential locations in Asia and develop an international expansion strategy for his company. There are many options, including maintaining the businesses head office in Canada and sending over company representatives when necessary, or developing a separate company in Asia and hiring locals to manage the business. Jeff's trip will take him to Japan, Korea, Hong Kong, Taiwan, and Thailand. He is looking forward to learning more about the business practices and customs of each country, and he is not too worried about the fact that he only speaks English. Jeff has heard that English is considered the main international business language and he anticipates that most Asians will be able to speak it.

121) If Jeff's company decided to open another company in Taiwan but manage it from its headquarters in Canada, it would be considered a _____.
A) transnational corporation
B) global business alliance
C) regional trade alliance
D) multinational corporation
E) borderless organization
Answer: D
Diff: 2 Type: MC Page Ref: 29
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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122) If Jeff's company decides to open completely new operations in Thailand, Japan, and Korea, and decides to decentralize management and decision making to the local countries, it would be following a _____ approach.
A) multidomestic
B) global
C) ethnocentric
D) multinational
E) borderless organization
Answer: A
Diff: 2 Type: MC Page Ref: 29
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

123) If Jeff's company eliminated country-designated locations and reorganized based on industry groups, it would best be described as a _____.
A) transnational organization
B) multidomestic organization
C) global business alliance
D) multinational corporation
E) polycentric organization
Answer: A
Diff: 2 Type: MC Page Ref: 30
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

Refer to the Scenario below to answer the questions that follow.

Environmental Uncertainty (Scenario)

It is safe to say that managers do not have complete control over organizational outcomes; the environment has a significant impact. It is important for managers to learn both what the components of the environment are and how the environment will affect their organizations.

124) An Internet-based company that is facing many new competitors and frequent technological breakthroughs is operating in what kind of environment?
A) divergent
B) static
C) flexible
D) dynamic
E) stable
Answer: D
Diff: 2 Type: MC Page Ref: 33
Skill: Applied
Objective: 2.4 How does the environment affect managers?
AACSB: Information Technology

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125) A grocery store that has few components in its environment and minimal need for knowledge about its suppliers or customers is operating under conditions of low _____.
A) complexity
B) flexibility
C) stability
D) divergency
E) simplicity
Answer: A
Diff: 3 Type: MC Page Ref: 34
Skill: Applied
Objective: 2.4 How does the environment affect managers?
AACSB: Analytical Thinking

126) An online brokerage company like E*TRADE that is dealing with many environmental components and requires a high level of knowledge about Internet operations is operating in a highly _____ environment.
A) flexible
B) static
C) stable
D) complex
E) divergent
Answer: D
Diff: 2 Type: MC Page Ref: 34
Skill: Applied
Objective: 2.4 How does the environment affect managers?
AACSB: Information Technology

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Refer to the Scenario below to answer the questions that follow.

Managing Stakeholder Relationships (Scenario)

Daniel Guzman has been hired by Flair Fashion Corporation, a manufacturer of precious metal jewelry. Flair Fashion has been having problems with some of its major stakeholders. These include poor quality materials from its suppliers and complaints from its customers. Daniel has been hired to help resolve the current issues and to develop a plan for managing other stakeholder problems in the future.

127) Daniel begins by defining stakeholders as _____.
A) the constituencies in the external environment that are employed by the organization
B) the constituencies in the external environment that own shares in the organization
C) the constituencies in the external environment that compete with the organization
D) the constituencies in the external environment that regulate the industry
E) any constituencies in the external environment that are affected by the organization's decisions and actions
Answer: E
Diff: 1 Type: MC Page Ref: 20
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

128) Daniel is made aware of a new threat by a local group that opposes the mining of a raw material used in the manufacturing process. The company is now likely facing a _____.
A) supplier
B) industry association
C) competitor
D) public pressure group
E) shareholder
Answer: D
Diff: 2 Type: MC Page Ref: 20
Skill: Applied
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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Refer to the Scenario below to answer the questions that follow.

International Entrepreneurs (Scenario)

Jennifer and James have formed an entrepreneurial venture to develop software for banks and other financial institutions. Their company is growing, and in looking for opportunities in the future they decide to explore international operations.

129) By establishing their company's operations in Canada, Jennifer and James hoped that an existing regional trade agreement would help them to avoid tariffs in _____.
A) Japan and Germany
B) Europe
C) South America
D) Mexico and the United States
E) Southeast Asia
Answer: D
Diff: 1 Type: MC Page Ref: 25
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

130) As their international operations grew, Jennifer and James decided to decentralize management and hire foreign nationals to run the business in their local countries. Their firm has developed into a _____.
A) multidomestic
B) multinational corporation
C) global organization
D) global trade alliance
E) joint venture
Answer: A
Diff: 3 Type: MC Page Ref: 30
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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131) A new and exciting opportunity has appeared that enables Jennifer and James to form a joint venture with a bank in Japan. This partnership will involve less risk and commitment than _____.
A) exporting
B) foreign contracting
C) setting up a foreign subsidiary
D) licensing
E) franchising
Answer: C
Diff: 3 Type: MC Page Ref: 32
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

132) Jennifer and James decide to allow a company in Hong Kong to use the rights to their software, brand name, and product specifications in return for a lump-sum payment. This agreement is known as a(n) _____.
A) strategic alliance / joint venture
B) export alliance
C) franchise
D) foreign subsidiary
Answer: C
Diff: 2 Type: MC Page Ref: 31
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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Refer to the Scenario below to answer the questions that follow.

A Speech on Trade Alliances (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 global trade. The presentation should include an overview of the world's major trade alliances and mechanisms that promote global trade. The Chamber president has also asked you to comment on a recent quote by a local politician who stated: "NAFTA has been a bad deal for Canada and it continues to weaken our economy." As you review your notes, you wonder how you will fit all the information into the allotted half-hour presentation time!

133) To help explain the main advantages of regional trade alliances, you will point out that EU member countries now have _____.
A) government subsidies
B) nationalistic policies
C) protected industries
D) a single market
E) border controls
Answer: D
Diff: 2 Type: MC Page Ref: 24
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

134) You also plan to discuss other regional trading alliances like the one in Southeast Asia called _____.
A) FTASAN
B) Mercosur
C) ASEAN
D) SEAFTA
E) the Southern Cone Common Market
Answer: C
Diff: 1 Type: MC Page Ref: 25
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

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135) Before you conclude your speech, you intend to explain how the WTO operates as _____.
A) a unilateral trading system
B) a global organization that deals with the rules of trade among nations
C) a mechanism to discourage global trade and protect the environment
D) the only global organization that monitors and promotes competition between nations
E) the only global organization dedicated to protecting the rights of workers in multinational corporations
Answer: B
Diff: 2 Type: MC Page Ref: 25
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

Refer to the Scenario below to answer the questions that follow.

The European Expansion (Scenario)

As a manager at a growing Canadian company, Samantha has been asked to develop a strategy to expand the company's operations into the European market. Although the company president has provided some basic guidelines about acceptable levels of risk and investment, there are still many factors in the legal/political, economic, and cultural environments that Samantha must take into consideration in her proposal.

136) Samantha begins to explore expansion opportunities in England and France because of language similarities with the Canadian market, and also because her Canadian managers are used to legal and political systems that are _____.
A) stable
B) fixed
C) command-based
D) flexible
E) dynamic
Answer: A
Diff: 1 Type: MC Page Ref: 33
Skill: Applied
Objective: 2.4 How does the environment affect managers?
AACSB: Application of Knowledge

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137) Samantha is considering whether her company should open a subsidiary in Germany or Italy. She is wondering which country's culture would be better suited to her company, since research indicates that _____.
A) organizational culture has a greater effect on employees than national culture
B) national culture has a greater effect on employees than organizational culture
C) national culture and organizational culture have roughly the same effect on employees
D) organizational culture has a greater effect on employees than employment laws
E) national culture has a greater effect on employees than economic conditions
Answer: B
Diff: 2 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Application of Knowledge

138) Samantha will recommend forming a strategic alliance with a French-based company that promises to market her company's products in several EU countries in exchange for access to her company's distribution network in Canada and the United States. This strategy will require less investment than _____.
A) exporting
B) licensing
C) franchising
D) establishing a joint venture
E) establishing a subsidiary
Answer: E
Diff: 3 Type: MC Page Ref: 32
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

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Refer to the Scenario below to answer the questions that follow.

Business Expansion Plan (Scenario)

As a business expansion director, Shana's goal is to scout potential locations for her company's planned expansion to other countries. There are many options, some of which include maintaining the business's head office in Canada. Other options include sending company representatives to foreign operations when necessary, or establishing separate operation facilities abroad and hiring locals as managers.

139) If Shana's company decides to open operations in France but maintains company management in Canada, it would be considered a _____.
A) transnational corporation
B) multinational corporation
C) multidomestic corporation
D) joint venture
Answer: B
Diff: 2 Type: MC Page Ref: 29
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

140) If Shana's company decides to open a new operation in Germany that has local managers and is run locally but still exists under the umbrella of the home company, it would be considered a _____.
A) national corporation
B) borderless organization
C) trade alliance
D) multidomestic corporation
Answer: D
Diff: 2 Type: MC Page Ref: 29
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

141) If Shana's company reorganizes based on industry groups with no designated home country, the entire organization would be considered a _____.
A) transnational organization
B) strategic alliance
C) multidomestic corporation
D) multinational corporation
Answer: A
Diff: 2 Type: MC Page Ref: 30
Skill: Applied
Objective: 2.3 How do organizations do business globally?
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142) Shana is considering forming a partnership with a Dutch corporation that will create an entirely new company called Half Moon. What kind of enterprise will Half Moon be?
A) a multidomestic corporation
B) a foreign subsidiary
C) a joint venture
D) a domestic subsidiary
Answer: C
Diff: 2 Type: MC Page Ref: 32
Skill: Applied
Objective: 2.3 How do organizations do business globally?
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Refer to the Scenario below to answer the questions that follow.

Software Entrepreneurial Venture (Scenario)

Theodore and James have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Their company, which includes TJ Soft stores, is looking for opportunities in the future that include international operations.

143) A foreign company wants to be able to copy and manufacture TJ Soft programs and sell them in its stores. What would be an appropriate approach for them to use?
A) licensing
B) franchising
C) renting
D) appropriating
Answer: A
Diff: 2 Type: MC Page Ref: 31
Skill: Applied
Objective: 2.3 How do organizations do business globally?
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144) A firm in South America wants to open a TJ Soft store in a shopping mall. What is the best approach for this firm?
A) strategic alliance
B) licensing agreement
C) franchise
D) foreign subsidiary
Answer: C
Diff: 2 Type: MC Page Ref: 31
Skill: Applied
Objective: 2.3 How do organizations do business globally?
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145) A game company in Thailand wants TJ Soft to join it and work together to create a new game that bears the brand name of both companies. What would be an appropriate approach for this venture?
A) global strategic alliance
B) licensing agreement
C) joint venture
D) franchise
Answer: A
Diff: 2 Type: MC Page Ref: 32
Skill: Applied
Objective: 2.3 How do organizations do business globally?
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Refer to the Scenario below to answer the questions that follow.

A Different View (Scenario)

Jana has spent the last year travelling to different operations of her company. She visited factories in Mexico and Thailand, a finance operation in Singapore, a pearl company in Japan, and many other venues. She has now collected her thoughts about the various places she visited.

146) In Mexico and Japan Jana noticed that it seemed easy to convince people to work together for the good of the group. How would you characterize this trait?
A) collectivist
B) individualist
C) humane
D) assertive
Answer: A
Diff: 2 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

147) In Greece Jana visited a pharmaceutical operation. She found that managers there were charming but not at all shy. If they thought they were right they tended to be aggressive and confrontational. How would you characterize this trait?
A) high uncertainty avoidance
B) achievement oriented
C) future oriented
D) low uncertainty avoidance
Answer: B
Diff: 2 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
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148) In Venezuela Jana found that people tended to show great deference toward their superiors. When meeting with one higher-up, she noticed that the local managers seemed to exhibit extremely obsequious behavior. How would you characterize this trait?
A) future oriented
B) high uncertainty avoidance
C) low power distance
D) high power distance
Answer: D
Diff: 3 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

149) In Denmark Jana met people who marvelled about the ability of Americans to be so "bold" and flexible when it came to making decisions about the future, while the Danish tended to rely on rules when facing uncertainty. How would you characterize this trait that Americans appear to have?
A) low uncertainty avoidance
B) high uncertainty avoidance
C) high power distance
D) individualistic
Answer: A
Diff: 3 Type: MC Page Ref: 27
Skill: Applied
Objective: 2.2 What challenges do managers face in a global environment?
AACSB: Diverse and Multicultural Work Environments

150) Identify the factors in the specific, general, and global environments that can influence an organization.
Answer: The specific environment includes customers, suppliers, competitors, and public pressure groups. The general environment includes the broad economic, political/legal, sociocultural, demographic, and technological conditions that may affect an organization. Changes in the specific environment usually have a greater impact on the organization than changes in the general environment. The global market presents many opportunities and challenges for the modern manager. The issues addressed in the general environment (economic, demographic, technological, sociocultural, and legal/political) need to be examined with a global perspective in mind as well. With the entire world as a market and national borders becoming increasingly irrelevant, the potential for intelligent organizations to grow expands dramatically.
Diff: 2 Type: ES Page Ref: 18
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

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151) Name and briefly describe how the gross domestic product, price indices, and unemployment are used to reflect the health of the Canadian economy?
Answer: Economic indicators such as gross domestic product, price indices, and unemployment are used to reflect the health of the economy. The gross domestic product (GDP) is the broadest indicator of a country's economic activity, expressed in the market value of goods and services produced in a country. The consumer price index (CPI) measures purchasing power and rises and falls with inflation and deflation. It has an impact on wages paid and the prices of products and services. The Bank of Canada's commodity price index (BCPI) measures the price of 24 Canadian commodities on the world market, while the MLS® Home Price Index (HPI) compares home prices across the country. The unemployment rate is calculated by the number of workers above age 16 who are not working. There are several complicating factors, such as seasonal and cyclical changes, but the unemployment rate is used by government and businesses for planning purposes.
Diff: 3 Type: ES Page Ref: 22
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Analytical Thinking

152) Name and briefly describe the different features of the three main generations listed in Exhibit 2.2.
Answer: Baby Boomers (born 1946—1964) are competitive, idealistic, team players. They enjoy being in leadership roles and like recognition for their actions.
Generation X (born 1965—1979) trust themselves more than institutions, tend to avoid rules and bureaucracy. They favour learning in an action-oriented way.
Millennials (Born 1980—2000) are technologically advanced and connected globally. They appreciate feedback more than recognition, and value learning in a group or team setting.
Diff: 1 Type: ES Page Ref: 23
Skill: Recall
Objective: 2.1 What is the external environment for managers?
AACSB: Diverse and Multicultural Work Environments

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153) Name and briefly describe six major regional trading alliances.
Answer:
- The European Union (EU): Created in 1992, the EU was created as a unified economic and trade entity with 12 member countries—Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, the United Kingdom, and Germany. By 2007, the EU comprised 27 countries. Three other countries (Croatia, the former Yugoslav Republic of Macedonia, and Turkey) have submitted applications to join the EU. The EU's economic power has diminished somewhat with the European economic crisis, but the current EU membership encompasses more than 490 million people.
- The North American Free Trade Agreement (NAFTA): When agreements in key issues covered by the North American Free Trade Agreement (NAFTA) were reached by the Canadian, US, and Mexican governments in August 1992, a vast economic bloc was created in which barriers to free trade were reduced. In 2011, Canadian exports to the United States were $331 billion, which accounted for 72 percent of our total exports. Canada's exports to Mexico have quadrupled since the NAFTA agreement was signed, and its foreign investments in Mexico increased by a factor of five.
- The Association of Southeast Asian Nations (ASEAN) is a trading alliance of 10 Southeast Asian countries, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam, ASEAN encompasses a region with a population of about 500 million and a combined gross domestic product of $1496 billion.
- Trans-Pacific Partnership (TPP) is a group of nine countries comprising the United States, Australia, New Zealand, Singapore, Peru, Vietnam, Malaysia, Brunei, and Chile, which is intending to revolutionize Asian trade relations.
- Brazil, Russia, India, China, and South Africa (BRICS) is not a political alliance or a trading association, but it is a unique grouping with shared opportunities and common challenges. South Africa joined in 2011, and the group currently meets to create mechanisms for consultation and cooperation.
- Caricom Single Market and Economy (CSME) is intended to provide better opportunities to produce and sell local goods and services and to attract investment. It will create one large market among the participating member states, which include 15 Caribbean countries such as Bahamas, Barbados, Guyana, Grenada, Saint Lucia, and Jamaica.

Diff: 2 Type: ES Page Ref: 24
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
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154) List and explain six of Hofstede's dimensions of national culture.
Answer: Individualism versus collectivism: Collectivism is the degree to which people identify with the group. Collectivism lies in opposition to individualism, the degree to which people prefer to act on their own as individual agents. A culture that is rated as having high collectivist tendencies will have low individualistic tendencies; similarly, a culture that is highly individualistic is low on the collectivist scale. Power distance: Power distance is the degree to which people are accepting of gross differences in power in their society. A culture with a high power distance, for example, is likely to feature the "big boss" in its midst—an individual who has an excessive amount of social, economic, and perhaps military power and influence. In a culture of low power distance, individuals of power are reined in, relatively speaking. In cultures of low power distance individuals of differing status can speak as equals. In a culture of high power distance, interaction between individuals of different status are likely to be accompanied by overt displays of respect and other symbols of the power imbalance. Uncertainty avoidance: Uncertainty avoidance is a measure of how much a culture depends on social institutions, rules, and norms to cope with uncertainty. A culture with high uncertainty avoidance would tend to depend on rules and social institutions to deal with uncertainty. A culture with low uncertainty avoidance would want more flexible and less formal ways of dealing with uncertainty. High uncertainty avoidance cultures will tend to make very conservative decisions when facing uncertainty. Low uncertainty avoidance cultures tend to be more creative in facing uncertainty. Masculinity versus femininity: Achievement focuses largely on material items and describes a typical affluent Western consumer culture. Nurturing reflects the degree to which people value such things as family, loyalty, personal relationships, and other things that "money can't buy." Pragmatic versus normative: In societies with a normative orientation, most people have a strong desire to explain as much as possible. People in such societies have a strong concern with establishing the absolute truth and a need for personal stability. They exhibit great respect for social conventions and traditions, a relatively small propensity to save for the future, and a focus on achieving quick results. In societies with a pragmatic orientation, most people do not have a need to explain everything, as they believe that it is impossible to understand fully the complexity of life. The challenge is not to know the truth but to live a virtuous life. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context, and time. They show an ability to accept contradictions, adapt according to the circumstances, and show a strong propensity to save and invest, and demonstrate thriftiness and perseverance in achieving results.

Indulgence versus restraint: Indulgence in society refers to willingness to have fun and enjoy life, while restraint refers to suppression of the gratification of needs through social norms. Indulgent people look to the future and value gratification and freedom of expression, while restrained people value tradition and the past and are comfortable suppressing their needs.
Diff: 2 Type: ES Page Ref: 27
Skill: Recall
Objective: 2.2 What challenges do managers face in a global environment?
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155) Explain the differences between a multidomestic corporation, a multinational corporation, and a transnational corporation.
Answer: All three entities are types of global corporations. Multinational corporations feature a home country that has the ultimate decision-making authority for the organization. In a multidomestic corporation, control is decentralized. The home country allows local management to more or less completely run the show for each operation, customizing products and services to fit the market as they see it. The transnational or borderless organization represents a step further in decentralization from the multidomestic. In a transnational, central control is abolished and all operations coordinate together, sharing in the decision-making process. Corporations choose the transnational approach to give their organizations a truly international stance, allowing them to pose as disinterested parties when it comes to making decisions that might favour one country over another.
Diff: 2 Type: ES Page Ref: 29
Skill: Recall
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

156) Describe the steps a company takes in going global.
Answer: The first step in going global is some sort of outsourcing in which a company buys materials or labour or both from a foreign source. For example, a shoe company might outsource its manufacturing to a country in which labour is not as expensive as in its home country. After outsourcing, exporting and importing is likely to follow. For example, the shoe company may now begin to sell its shoes in foreign markets. It may also begin to import lines of specialty shoes to sell in its domestic stores. A larger commitment than exporting and importing involves licensing (selling the rights to make a product overseas) or franchising (selling the right to run a whole operation overseas). The third step in going global involves setting up strategic alliances, partnerships with foreign companies, and joint ventures, special partnerships in which a new company is formed to create a specific product. A shoe company might do this by setting up a partnership with a foreign leather company to produce handbags. The final step in going global is to set up a foreign subsidiary—a branch of your operation that will set up shop in the foreign location. In this case, the shoe company might build an entire shoe factory in a foreign location and hire local managers to run it.
Diff: 2 Type: ES Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
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157) Explain the difference between multinational, multidomestic, global, and transnational-borderless organizations. Provide examples for each type of organization.
Answer: Multinational corporation: A broad term usually used to refer to any and all types of international companies that maintain operations in multiple countries. A company that maintains significant operations in multiple countries but manages them from a base in the home country is a multinational corporation. Multidomestic corporation: An MNC that maintains significant operations in more than one country but decentralizes management to the local country is a multidomestic corporation. This type of organization does not attempt to manage foreign operations from its home country. Instead, local employees typically are hired to manage the business, and marketing strategies are tailored to that country's unique characteristics. This type of global organization reflects the polycentric attitude. Global companies: These companies centralize management and other decisions in the home country. They treat the world market as an integrated whole and focus on the need for global efficiency. Although these companies may have considerable global holdings, management decisions with company-wide implications are made from headquarters in the home country. This approach to globalization reflects the ethnocentric attitude. Transnational or borderless organizations: Many companies are going global by eliminating structural divisions that impose artificial geographical barriers. This type of global organization is called a transnational or borderless organization. Borderless management is an attempt by organizations to increase efficiency and effectiveness in a competitive global marketplace.
Diff: 3 Type: ES Page Ref: 30
Skill: Applied
Objective: 2.3 How do organizations do business globally?
AACSB: Application of Knowledge

158) Explain what is meant by the term "born global."
Answer: The infrastructure that has been built in the past few decades has led to the creation of a new mindset represented by "born global." The classification of different types of international organizations tends to describe large international businesses. However, there is an increasing number of businesses called born globals that choose to go global from inception. These companies (also known as international new ventures, or INVs) commit resources up front (material, people, financing) to doing business in more than one country and are likely to continue to play an increasingly important role in international business. This new breed of company is a reflection of the new opportunities available for business.
Diff: 2 Type: ES Page Ref: 30
Skill: Recall
Objective: 2.3 How do organizations do business globally?
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