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Chapter 2

Test Bank

Type: multiple choice question
Title: Chapter 02 Question 01
1) Globalisation of production generally provides opportunities for firms to _____
Feedback: With globalisation firm are likely to enjoy both access to lower cost resources and improved quality (access to specialist suppliers). Times to market could increase if more distant or remote locations are used.
A-head reference: 2.4 Core principles of the global factory concept
a. access lower cost resources
b. improve product quality
c. reduce lead times to markets
***d.** Both a and b

Type: multiple choice question
Title: Chapter 02 Question 02
2) A firm invests in the experience of its management by involving them in cross-national project teams. Internal research shows that this increases productivity and employee retention. As a result the firm has created _____
Feedback: Investment by the firm in a proprietary advantage (unique to that single firm) creates a firm-specific advantage.
A-head reference: 2.2 Theories of multinational firm: an evolution in thinking
a. a country specific advantage
***b.** a firm-specific advantage
c. a transaction specific advantage
d. a location specific advantage

Type: multiple choice question
Title: Chapter 02 Question 03
3) Outsourcing means _____
Feedback: Outsourcing means externalise production via subcontracting to independent manufacturers
A-head reference: 2.4 Core principles of the 'global factory' concept
***a.** Subcontracting to independent manufacturers
b. Going international
c. Export to a third country
d. Distribute company' products

Type: true-false
Title: Chapter 02 Question 04
4) MNEs exploits an internally transferable intangible public good such as knowledge
***a.** True
Feedback: MNEs manage knowledge flow monopolised by the firm and usually protected by a brand
A-head reference: 2.4 Core principles of the 'global factory' concept
b. False

Type: multiple choice question
Title: Chapter 02 Question 05
5) Global factory's main strategy is characterised by _____
Feedback: Focal firms have decreased their ownership of productive capacity and increased the focus on high value-added activity such as intangible assets
A-head reference: 2.4 Core principles of the 'global factory' concept
a. Focus on regionalisation
b. Focus on export
c. Focus on quality production
***d.** Focus on intangible assets and decreased emphasis on productive capacity

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Type: true-false
Title: Chapter 02 Question 06
6) Global factory adopts a balance of global and local strategy
***a.** True
Feedback: this strategy is also called Glocal
A-head reference: 2.4 Core principles of the 'global factory' concept
b. False

Type: multiple choice question
Title: Chapter 02 Question 07
7) Firm-, or ownership specific advantages _____
Feedback: Ownership advantages are always proprietary or unique to a single firm. Clearly b is wrong and a and d may be true in some cases, but c is always the case.
A-head reference: 2.2 Theories of multinational firm: an evolution in thinking
a. are always based on natural resources
b. can also be present within competitor firms
***c.** are always a proprietary capability of the firm
d. are always the result of government favouritism

Type: true-false
Title: Chapter 02 Question 08
8) By utilising an international pool of suppliers, multinational enterprises can lower production costs.
***a.** True
Feedback: The statement is likely to be true because specialist suppliers may have access to lower-cost resources, greater scale or innovative technology. If they did not offer a cost advantage the buyer is likely to undertake the activity itself (internalise it).
A-head reference: 2.2 Theories of multinational firm: an evolution in thinking
b. False

Type: true-false
Title: Chapter 02 Question 09
9) Outsourcing and offshoring are synonymous
a. True
***b.** False
Feedback: outsourcing involves 'buy' rather than 'make, while offshoring involves externalisation in a foreign country
A-head reference: 2.4 Core principles of the 'global factory' concept

Type: true-false
Title: Chapter 02 Question 10
10) Intellectual property is property that is the product of intellectual activity.
***a.** True
Feedback: The statement is true as intellectual property is the result of applied intellectual activity such as creativity.
A-head reference: 2.4 Core principles of the 'global factory' concept
b. False

Type: true-false
Title: Chapter 02 Question 11
11) GVCs thinking conceptualises global production as a set of inter country agreements to regulate the system of production
a. True
***b.** False
Feedback: GVC are a set of inter-firm networks that provide the connections along a cross-border value chain
A-head reference: 2.3 Global value chains

Type: true-false
Title: Chapter 02 Question 12

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12) Global factory and GVC are two different frameworks describing the same phenomenon from different perspectives.
***a.** True
Feedback: This is a correct and precise statement.
A-head reference: 2.3 Global value chains
b. False

Type: true-false
Title: Chapter 02 Question 13
13) Flexibility is a competitive advantage of the global factory
***a.** True
Feedback: The ability to allocate resources quickly and smoothly is a competitive advantage of the global factory
A-head reference: 2.5 Competitive advantage of the global factory
b. False

Type: true-false
Title: Chapter 02 Question 14
14) Resilience refers to the ability to avoid external shocks
a. True
***b.** False
Feedback: Resilience refers to the ability to absorb external shocks
A-head reference: 2.5 Competitive advantage of the global factory

Type: true-false
Title: Chapter 02 Question 15
15) A global factory will pursue internalization where market inefficiencies result in unacceptably high transactions costs.
***a.** True
Feedback: True, high costs of using markets encourages the firm to bypass the market by internalising transactions. This creates a multinational enterprise when those transactions cross borders.
A-head reference: 2.2 Theories of multinational firm: an evolution in thinking
b. False

Type: true-false
Title: Chapter 02 Question 16
16) The main effect of liberalisation is that the 'ripple' effects of shocks travel farther and wider than before.
***a.** True
Feedback: The statement is correct
A-head reference: 2.5 Competitive advantage of the global factory
b. False

Type: true-false
Title: Chapter 02 Question 17
17) Coordination and control include fine-slice activities
***a.** True
Feedback: the statement is correct as fine slicing represent one of the most important elements of managing the global factory
A-head reference: 2.5 Competitive advantage of the global factory
b. False

Type: true-false
Title: Chapter 02 Question 18
18) A global value chain comprises the interrelated organizations, resources, and processes that create and deliver products and services to end customers.
***a.** True
Feedback: This is a correct definition of what is meant by a global supply chain.

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A-head reference: 2.3 Global value chains
b. False

Type: true-false
Title: Chapter 02 Question 19
19) Knowledge spillovers are considered externalities
***a.** True
Feedback: Investments in knowledge creation (for example by R&D) by one party create knowledge spillovers with positive externality effects when such knowledge can be captured by others at no cost.
A-head reference: 2.4 Core principles of the 'global factory' concept
b. False

Type: true-false
Title: Chapter 02 Question 20
20) The main challenge of VUCA world is that it brings random and unanticipated effects into deterministic models
***a.** True
Feedback: The statement is true since changes in technology, regulations, policies and increased pressure of the civil society (sustainability, fairness, equity) interact and increase the volatility of the business environment.
A-head reference: 2.6 Evolution of the global factory and new challenges
b. False

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