GLOBAL 4 4th edition Peng Test Bank

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TRUE/FALSE

1 : The institution-based view has emerged as a leading perspective on global business.
A : true
B : false

Correct Answer : A

2 : The cognitive pillar refers to the internalized values and beliefs that guide individual and firm behavior.
A : true
B : false

Correct Answer : A

3 : Examples of opportunism include misleading, cheating, and confusing other parties in transactions that will increase transaction costs.
A : true
B : false

Correct Answer : A

4 : Relying on informal connections is relevant only to firms in emerging economies, and firms in developed economies pursue only market-based strategies.
A : true
B : false

Correct Answer : B

5 : Even in developed economies, formal rules make up the largest part of institutional constraints, and informal constraints are less pervasive.
A : true
B : false

Correct Answer : B

6 : Formal and informal institutions combine to govern firm behavior.
A : true
B : false

Correct Answer : A

7 : India is a democracy as its citizens elect representatives to govern the country on their behalf.
A : true
B : false

Correct Answer : A

8 : No two democracies have ever reportedly gone to war with each other.
A : true
B : false

Correct Answer : A

9 : China is a totalitarian country, so it suffers from a high level of political risk.
A : true
B : false

Correct Answer : A

10 : Most IPR violations are perpetrated by organized crime units centered in Asia.
A : true
B : false

Correct Answer : B

11 : The tangible nature of IPR violations makes enforcement complicated.
A : true
B : false

Correct Answer : B

12 : Examples of property include homes, offices, and factories.
A : true
B : false

Correct Answer : A

13 : In a market economy, all factors of production should be state owned and state controlled, and all supply, demand, and pricing are planned by the government.
A : true
B : false

Correct Answer : B

14 : In a command economy, all factors of production should be state owned and state controlled, and all supply, demand, and pricing are planned by the government.
A : true
B : false

Correct Answer : A

15 : If a company is doing business in a country with a strong propensity for informal relational exchanges, it may not be a good idea to insist on formalizing the contract right away. Because such countries often have relatively weak legal systems, personal relationship building is often used to substitute for the lack of strong legal protection.
A : true
B : false

Correct Answer : A

MULTIPLE CHOICE

16 : Which of the following statements is true of institutional transitions?
A : They are comprehensive changes introduced to the formal and informal rules of the game that affect firms as players.
B : They are the internalized values and beliefs that guide individual and firm behavior.
C : They refer to how the norms of other relevant players influence the behavior of focal individuals and firms.
D : They are the secondary support pillars for informal institutions.

Correct Answer : A

17 : Romila ensures that she pays taxes out of fear that she might be caught and sent to prison for evading taxes. The given example shows the influence of _____ on peoples behavior.
A : the normative pillar
B : the regulatory pillar
C : transaction costs
D : informal constraints

Correct Answer : B

18 : Paula recently acted as a whistleblower. Although she had a high paying management job at a banking firm, she contacted the authorities and reported corruption. This is an example of:
A : The cognitive pillar overpowering the normative pillar
B : The regulatory pillar
C : A failure of the cognitive pillar
D : The regulatory pillar overpowering the cognitive pillar

Correct Answer : A

19 : What is Nobel laureate Oliver Williamson referring to when he says Do the gears mesh, are the parts lubricated, is there needless slippage or other loss of energy? Do the parties to exchange operate harmoniously, or are there frequent misunderstandings and conflicts?
A : normative pillar
B : transaction costs
C : opportunism
D : the legal pillar

Correct Answer : B

20 : According to Richard Scott, which of the following statements is true of the normative pillar?
A : It is the coercive power of governments.
B : It acts as the primary supportive pillar of formal institutions.
C : It is a primary support for all informal institutions.
D : It includes laws, regulations, and rules.

Correct Answer : C

21 : According to Richard Scott, the _____ refers to the internalized values and beliefs that guide individual and firm behavior.
A : normative pillar
B : regulatory pillar
C : cognitive pillar
D : legal pillar

Correct Answer : C

22 : Institutions influence the decision-making process of both individuals and firms by:
A : signaling what conduct is legitimate and acceptable and what is not.
B : expanding the range of acceptable actions that firms can take.
C : focusing on values and beliefs rather than laws and regulations.
D : focusing only on laws, regulations, and rules.

Correct Answer : A

23 : Which of the following statements is true of political uncertainty?
A : It attempts to reduce transaction costs.
B : It is the act of seeking self-interest with guile.
C : It is controlled by both formal and informal institutions.
D : It renders long-range planning obsolete.

Correct Answer : D

24 : An important source of transaction costs is _____, defined as the act of seeking self-interest with guile.
A : opportunism
B : theocracy
C : uncertainty
D : piracy

Correct Answer : A

25 : Which of the following is true of transition economies?
A : They are often emerging economies
B : They are characterized by pervasive institutional transitions
C : They present huge challenges and tremendous opportunities for domestic and international firms
D : All of the above

Correct Answer : D

26 : A firm is noticing that 10% of its freelance contacts are not being completed on time. They suspect this is because there are no consequences for lateness for the freelancers, but it costs the firm money. The firm decides to implement a penalty for lateness, and guidelines for dealing with contract violations. The firm is:
A : increasing opportunism.
B : expanding the range of acceptable actions that firms can take.
C : focusing on values and beliefs rather than laws and regulations.
D : attempting to reduce transaction costs through institutional frameworks.

Correct Answer : D

27 : Which of the following is an example of opportunism?
A : Directing other parties to the right path
B : Confusing other parties in transactions that will increase transaction costs
C : Influencing the decision-making process of firms by signaling what conduct is legitimate and acceptable and what is not
D : Emphasizing laws, regulations, and rules while making economic transactions

Correct Answer : B

28 : Which of the following statements is true of institutions?
A : They are not static.
B : They only include formal institutions.
C : They do not constrain the range of available actions.
D : They only emphasize rules.

Correct Answer : A

29 : Institutional changes in some emerging economies are so pervasive that these countries are simply called _____.
A : opportunists
B : regulatory pillars
C : transition economies
D : command economies

Correct Answer : C

30 : An institution-based view of global business focuses on:
A : the dynamic interaction between institutions and firms.
B : why certain industries within a nation are competitive internationally.
C : expanding the range of acceptable actions that firms can take.
D : a firms internal strengths and weaknesses.

Correct Answer : A

31 : Which of the following forms part of an institution-based view of global business?
A : Firm behavior is exclusively controlled by formal institutions.
B : Firm behavior is exclusively controlled by informal institutions.
C : Firms increase uncertainty for managers in situations where formal constraints are unclear.
D : Firms rationally pursue their interests and make choices within institutional constraints.

Correct Answer : D

32 : When the formal regime in the country of Zoalia collapsed, the growth of many entrepreneurial firms was facilitated by informal constraints based on personal relationships and connections among managers and officials. This is an example of _____.
A : firms behavior being exclusively controlled by formal institutions
B : firms behavior being exclusively controlled by informal institutions
C : informal constraints increasing uncertainty for managers and firms in situations where formal constraints are unclear
D : informal constraints providing constancy for managers and firms in situations where formal constraints are unclear

Correct Answer : D

33 : Which of the following best defines a political system?
A : It refers to the legal rights to use an economic property and to derive income and benefits from it.
B : It refers to a legal system based on religious teachings.
C : It refers to the rules of the game on how a countrys laws are enacted and enforced.

D : It refers to the rules of the game on how a country is governed constitutionally.

Correct Answer : D

34 : Arcadia is a country that follows a democratic system of government. Therefore, it can be inferred that:
A : one person or party exercises absolute political control.
B : citizens elect representatives to govern the country on their behalf.
C : power rests in the hands of one religious party or group.
D : political power is restricted by the military because of the belief that political power gives rise to communism.

Correct Answer : B

35 : Dana lives in a country that follows right-wing totalitarianism. Therefore, it is most likely that:
A : citizens elect representatives to govern the country on their behalf.
B : power rests in the hands of one religious party or group.
C : one party, backed by the military, restricts political freedom.
D : citizens are granted the right to freedom of expression and organization.

Correct Answer : C

36 : Which of the following statements is true of political risk?
A : It is prevalent to the same extent in both totalitarian and democratic countries.
B : It is a risk associated with legal changes.
C : It can lead to nationalization of foreign assets.
D : It can be highly beneficial for global business.

Correct Answer : C

37 : A(n) _____ refers to the rules of the game on how a countrys laws are enacted and enforced.
A : economic system
B : political system
C : legal system
D : formal system

Correct Answer : C

38 : Relative to civil law, common law has more flexibility because judges _____.
A : have to resolve specific disputes based on their interpretation of the law
B : have the power only to apply the law because of comprehensive statutes and codes
C : do not have any codes and statutes to guide them
D : do not have the regulatory pillar that supports institutions

Correct Answer : A

39 : One fundamental economic function that a legal system serves is to protect _____.
A : property rights
B : remedial rights
C : conditional rights
D : subjective rights

Correct Answer : A

40 : _____ are the exclusive legal rights of authors and publishers to publish and disseminate their work.
A : Copyrights
B : Patents
C : Trademarks
D : Charters

Correct Answer : A

41 : Which of the following statements is true of trademarks?
A : They are the exclusive legal rights of authors and publishers to publish and disseminate their work.
B : They are legal rights awarded by government authorities to inventors of new products or processes.
C : They are the exclusive legal rights of firms to use specific brands to differentiate their products from others.
D : They are the legal rights used to derive income and benefits from an economic resource.

Correct Answer : C

42 : Which of the following statements is true of piracy?
A : It is the unauthorized use of intellectual property rights.
B : It is not considered a violation of law by the government.
C : It is concerned only with the illegal usage of copyrights.
D : It is concerned only with the illegal usage of trademarks.

Correct Answer : A

43 : Which of the following is a benefit of having tangible property in a stable and predictable legal system?
A : patent rights are protected
B : property can be used as collateral for credit
C : IPR violation goes down
D : average firm size decreases

Correct Answer : B

44 : Unlike a command economy, a market economy:
A : has all factors of production owned and controlled by the state.
B : is one in which all the factors of production are supposed to be privately owned.
C : is one in which all supply, demand, and pricing are planned by the government.
D : has a relative distribution of market forces versus command forces.

Correct Answer : B

45 : In a(n) _____, all factors of production should be state owned and state controlled, and all supply, demand, and pricing are planned by the government.
A : unplanned economy
B : mixed economy
C : market economy
D : command economy

Correct Answer : D

46 : Overall, the economic system of most countries is a _____.
A : planned economy
B : mixed economy
C : market economy
D : command economy

Correct Answer : B

47 : Brian, an economist, is an advocate of the geography school of thought on what drives economic development. Brian is most likely to believe that:
A : institutions have a significant impact on economic development by affecting the incentives and the costs of doing business.
B : institutions are the basic determinants of the performance of an economy.
C : rich countries tend to be well endowed with natural resources.
D : rich countries have a smarter and harder working population.

Correct Answer : C

48 : According to the institution-based view of global business, which of the following statements is true?
A : Firms should always insist on formalizing contracts right away when doing business in foreign countries.
B : It is the growth of the firm that, in the aggregate, leads to the growth of the economy.
C : It is imperative for managers to adhere to formal constraints in all situations.
D : Formal constraints play a larger role in reducing uncertainty and providing constancy for managers and firms in situations of political turmoil.

Correct Answer : B

49 : When markets work smoothly in developed countries, _____.
A : formal institutions are taken for granted
B : informal institutions have a very limited role in economic development
C : relationship norms play a larger role in reducing uncertainty since formal constraints are unclear
D : formal institutions tend to be weak and ineffective

Correct Answer : A

50 : Which of the following is a guideline for managers doing business around the globe?
A : Managers should follow the advice of the second proposition of the institution-based view.
B : Managers must give more importance to formal constraints.
C : Firms entering a new country that emphasizes relational exchanges must ensure that all business contracts are formalized right away.
D : Firms entering a new country that lacks formal market-supporting institutions must adopt a business first, relationship afterwards attitude.

Correct Answer : A

ESSAY

51 : Identify the basic characteristics of formal and informal institutions.

Correct Answer : An institutional framework is made up of formal and informal institutions governing individual and firm behavior. Formal institutions include laws, regulations, and rules. Their primary supportive pillar, the regulatory pillar, is the coercive power of governments. Informal institutions include norms, cultures, and ethics. There are two main supportive pillars: normative and cognitive. The normative pillar refers to how the values, beliefs, and actions-collectively known as norms-of other relevant players influence the behavior of focal individuals and firms. For firms doing business abroad, formal and informal institutional forces primarily stem from home countries and host countries, but international and regional organizations such as the WTO, the IMF, and the EU may also influence firm conduct in terms of do's and don'ts.

52 : Outline the differences between democracy and totalitarianism.

Correct Answer : Democracy is a political system in which citizens elect representatives to govern the country on their behalf. A fundamental aspect of democracy that is relevant to the effective conduct of global business is an individual's right to freedom of expression and organization. Democracy was pioneered in Athens in ancient Greece. Totalitarianism is a political system in which one person or party exercises absolute political control over the population. A totalitarian regime is also known as a dictatorship.

53 : Outline the four major types of totalitarianism.

Correct Answer : Communist totalitarianism centers on a communist party. This system had been embraced throughout Central and Eastern Europe and the former Soviet Union until the late 1980s. It is still practiced in China, Cuba, North Korea, and Vietnam.Right-wing totalitarianism is characterized by its intense hatred of communism. One party, typically backed by the military, restricts political freedom, arguing that such freedom would lead to communism. In the decades following World War II, Argentina, Brazil, Chile, South Africa, South Korea, and Taiwan practiced right-wing totalitarianism. Most of these countries have recently become democracies.Theocratic totalitarianism refers to the monopolization of political power in the hands of one religious party or group. Iran and Saudi Arabia are leading examples.Tribal totalitarianism refers to one tribe or ethnic group monopolizing political power and oppressing other tribes or ethnic groups.

54 : Compare civil law, common law, and theocratic law.

Correct Answer : Civil law is the oldest, the most influential, and the most widely distributed legal system around the world. It uses comprehensive statutes and codes as a primary means to form legal judgments. More than 80 countries practice civil law.Precedents and traditions from previous judicial decisions shape common law, which is English in origin. Common law has more flexibility because judges have to resolve specific disputes based on their interpretation of the law, and such interpretation may give new meaning to the law.Civil law has less flexibility because judges have the power only to apply the law.Theocratic law is a legal system based on religious teachings. Examples include Islamic and Jewish laws. Islamic law is the only surviving example of a theocratic legal system that is formally practiced by some governments, including those in Iran and Saudi Arabia.

55 : Describe the differences among the three economic systems.

Correct Answer : A pure market economy is characterized by the "invisible hand" of market forces noted by Adam Smith in The Wealth of Nations in 1776. The government takes a hands-off approach known as laissez faire. The government performs only functions the private sector cannot perform.A pure command economy is defined by a government taking, in the words of Lenin, the "commanding heights" in the economy. All factors of production should be government or state owned and controlled, and all supply, demand, and pricing are planned by the government.A mixed economy has elements of both a market economy and a command economy. It boils down to the relative distribution of market forces versus command forces.

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