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International Business: Chapter 12 Strategies for International Business

MULTIPLE CHOICE—CIRCLE THE ONE BEST ANSWER ACCORDING TO THE TEXTBOOK:

- 1) Which of the following statements about Zara is most likely FALSE?
 - A) Zara puts fewer products on clearance racks than most of its competitors in the industry.
 - B) Zara's large advertising budget generates word-of-mouth and attracts new buyers.
 - C) New products and designs are delivered to Zara stores every three to four weeks.
 - D) Most of Zara's products move through the firm's distribution center in Spain.

- 2) Political, legal, economic, monetary, and institutional forces comprise the _____ of international business and influence managers' actions.
 - A) environment
 - B) competition
 - C) culture
 - D) threat

- 3) Phillip is an international business manager with Corbin Manufacturing. Which of the following serves as an external influence on the business decisions that Phillip makes?
 - A) production plant locations
 - B) host country monetary policy
 - C) supply chain linkages
 - D) product design standards

- 4) _____ is the framework that managers apply to determine the competitive moves and business approaches that run the company.
 - A) Competition
 - B) Growth
 - C) Strategy
 - D) Vision

- 5) Which force in Toyota's immediate environment would most likely have the greatest impact on its strategy?
 - A) interest rate trends
 - B) technology developments
 - C) shifts in U.S. political attitudes
 - D) actions taken by Honda and Mercedes Benz

- 6) Which of the following is NOT among the five forces in the Five-Forces Model of Industry Structure?
 - A) governments
 - B) substitute products
 - C) potential new entrants
 - D) suppliers of raw materials

- 7) Which of the following is the best example of a product disruption driving industry change?
 - A) redesign of Toyota's Prius
 - B) introduction of Apple's iPad
 - C) AT&T's purchase of T-Mobile
 - D) merger of United and Continental

8) The industry organization (IO) paradigm reports that, on average, the best predictor of firm strategy is the _____.

- A) company's stockpile of assets, skills, and capabilities
- B) aggressiveness of a company's marketing objectives
- C) link between a company's products and processes
- D) structure of the industry in which it competes

9) The Industry Organization (IO) paradigm assumes which of the following?

- A) stable political and cultural trends
- B) shifting foreign-exchange rates
- C) perfect competition
- D) unequal value

10) Which of the following is the most important constraint on the explanatory power of the IO paradigm?

- A) Many industries are imperfectly competitive.
- B) Many companies are locally but not internationally competitive.
- C) Most customers have perfect knowledge of the products they select.
- D) Most industries have many firms that each have small market shares.

11) Improving explanatory power of the IO paradigm can be done by considering the potential for _____ to lead to a company's sustained competitive advantage.

- A) bright, motivated managers
- B) political trends and events
- C) cultural institutions
- D) new markets

12) As a result of the global economic crisis, the potential for profitability in all sorts of industries has _____.

- A) decreased
- B) increased
- C) become less predictable
- D) become more projectable

13) Which of the following has the greatest potential to transform an industry's structure?

- A) a change in a competitor's management
- B) a change in a competitor's pricing structure
- C) the expansion of a distribution channel
- D) the exit of a competitor from the industry

14) Which of the following is the purpose of a company's value proposition?

- A) to exceed customers' expectations
- B) to force competitors into a price war
- C) to identify consumers for whom the company creates products
- D) to explain why a consumer should buy the company's products

15) A strategy that focuses on lowering operating costs is referred to as a _____ strategy.

- A) differentiation
- B) cost leadership
- C) niche market
- D) diversification

16) Value-Mart has achieved the status of overall low-cost producer in its industry, which means that Value-Mart _____.

- A) can strongly defend its market position in the event of a price war
- B) will earn the largest profits of any company in the industry
- C) makes the most appealing product in its industry
- D) can block the entry of new firms into the industry

17) _____ are the two basic strategies for creating value and attaining a competitive advantage in an industry.

- A) Diversification and niche marketing
- B) Industry leadership and market dominance
- C) Customer satisfaction and product innovation
- D) Cost leadership and differentiation

Answer: D

18) A company that employs a _____ strategy creates value by generating customer insights and translating those insights into innovations.

- A) differentiation
- B) diversification
- C) cost leadership
- D) innovation

19) The essence of a differentiation strategy is to _____.

- A) target the most sophisticated segment of the market
- B) incorporate the greatest number of features into a product
- C) offer a unique product that supports a premium price
- D) outspend rivals on product advertising

20) A differentiation strategy works well when _____.

- A) a company designs a universal product for a broad market
- B) buyers believe minor product differences are irrelevant to price
- C) buyers are highly sensitive to price shifts and quality control
- D) a company can continually develop products that have unique features

21) Successful implementation of a _____ strategy requires a company to develop unique competencies that rivals find hard, if not impossible, to match or copy.

- A) differentiation
- B) cost leadership
- C) globalization
- D) marketing

- 22) A useful way to understanding the purpose of strategy is to think of the firm as a(n) _____, composed of a series of distinct activities, including production, marketing, materials management, R&D, human resources, information systems, and the firm infrastructure.
- A) activity network
 - B) value constellation
 - C) task succession
 - D) value chain
- 23) A company's value chain is best described as the _____.
- A) variable sequence of converting product ideas into value for shareholders
 - B) mixture of activities taken to define product value standards and price points
 - C) discrete series of steps taken to move a product from conception to end-users
 - D) blueprint that must be followed to leverage the core capabilities of a global firm
- 24) In the context of value chain analysis, the support activities of a firm include _____.
- A) outbound logistics, human resources, and information systems
 - B) production, marketing, and operations
 - C) shipping and customer service
 - D) research and development
- 25) Which of the following is considered a primary activity in a company's value chain?
- A) shipping
 - B) product design
 - C) systems and solutions
 - D) materials and equipment
- 26) Dispersing value activities where and in how many places in the world is the issue of _____.
- A) logistics
 - B) clustering
 - C) coordination
 - D) configuration
- 27) Citibank decides to open a call center in Mumbai, India because a detailed analysis of the country-specific advantages suggests that India is the optimal place for responding to customers' calls. Citibank is exploiting _____ by running a call center in India.
- A) value configuration synergies
 - B) location economies
 - C) geographic arbitrage
 - D) value offshoring
- 28) Zara creates, produces, and distributes most of its products from its headquarters in Spain. Zara is most likely using a _____ configuration.
- A) concentrated
 - B) coordinated
 - C) dispersed
 - D) logical

29) Johnson Enterprises manufactures computer chips used in cell phones. The MNE has long production runs that lower the per unit cost of each chip. The firm also purchases materials in bulk from its suppliers with whom Johnson has long-term contracts. Johnson is most likely benefiting from _____.

- A) economies of scale
- B) the cluster effect
- C) digitization
- D) location economies

30) A _____ is a special outlook, skill, capability, or technology that runs through the firm's operations, weaving together all value activities into an integrated value chain.

- A) core competency
- B) value proposition
- C) mission statement
- D) learning curve

31) Which of the following refers to the means by which management applies the systems that link a company's value activities, whether those activities are performed in one or in many countries?

- A) configuration
- B) logistics
- C) coordination
- D) core competency

32) Social network analysis indicates that information flows more efficiently in a(n) _____ manner.

- A) collaborative
- B) competitive
- C) hierarchical
- D) impersonal

33) Firms that compete in the global marketplace typically face the asymmetric forces of pressures for _____ and _____.

- A) global integration; local responsiveness
- B) price reductions; cost reductions
- C) politically sensitivity; market leadership
- D) cost reductions; customer satisfaction

34) No matter the country or culture, money has three fundamental features that motivate consumers around the world to maximize purchasing power by buying the highest possible quality product for the lowest possible price. These three features include all of the following EXCEPT which one?

- A) scarcity
- B) difficulty of acquisition
- C) difficulty of allocation
- D) difficulty of saving

- 35) In the demand-pull versus supply-push views of the market, which of the following is best classified as a push dynamic that drives supply in the global market?
- A) digitization
 - B) media access
 - C) standardization
 - D) market globalization
- 36) Which of the following would most likely pressure an MNE to globally integrate its value activities?
- A) costs of producing in separate facilities exceeding those of producing in a single facility
 - B) variability in consumers' tastes and preferences shifting across countries
 - C) market pressures to add new product features continually
 - D) demands imposed by host country governments
- 37) Which of the following is LEAST likely to trigger the standardization of consumer preferences?
- A) intrinsic functions of money
 - B) global access to common media
 - C) increasing nationalism
 - D) improved communications technologies
- 38) Which of the following is NOT a factor driving local responsiveness among global firms?
- A) cross-national differences in distribution channels
 - B) diverging consumer tastes and preferences
 - C) cross-national differences in product standards
 - D) host government support of freer international trade
- 39) Advantages of following a strategy of local responsiveness include the _____.
- A) improved ability to transfer skills to employees in different locations
 - B) opportunity to adopt a global advertising program
 - C) ease in standardizing manufacturing methods across countries
 - D) flexibility to apply location-specific skills to local opportunities
- 40) Host governments' growing demands for increasing operational transparency will most likely spur companies to make their value chains more _____.
- A) locally responsive
 - B) globally integrated
 - C) concise
 - D) complex
- 41) According to the integration-responsiveness (IR) grid, consumer electronics and corporate banking are two types of industries with _____ industry pressure for global integration and _____ industry pressure for local responsiveness.
- A) low; low
 - B) high; high
 - C) low; high
 - D) high; low

42) In the global environment, firms use an international strategy, a multidomestic strategy, a global strategy, or a _____ strategy.

- A) regional
- B) standardization
- C) transnational
- D) locational

43) The integration-responsiveness (IR) grid expresses how a company's _____ is a function of the relationship between its value chain and the prevailing pressures for global integration or local responsiveness in its industry.

- A) value proposition
- B) target market
- C) mission
- D) strategy

44) When the pressure for global integration is high and the pressure for local responsiveness is low, a company is most likely to pursue a(n) _____ strategy.

- A) global
- B) transnational
- C) multidomestic
- D) international

45) Firms that pursue a(n) _____ strategy create value by transferring core competencies from the home market to foreign markets in which local rivals lack a competitive alternative.

- A) transnational
- B) multidomestic
- C) global
- D) international

46) Which of the following is NOT a disadvantage of the international strategy?

- A) Headquarters can misread foreign-market opportunities and threats.
- B) The transfer of core competencies to foreign markets is complicated by the need to adapt to local needs.
- C) Local subsidiaries are not given the opportunity to adapt value activities and share what they have learned with headquarters.
- D) The company can be blindsided by an unexpectedly innovative rival in a foreign market.

47) A distinct advantage of an international strategy is _____.

- A) transferring core competencies to foreign markets
- B) reaping benefits of global learning
- C) customizing product offerings to local conditions
- D) leveraging local managers' knowledge of their markets

48) A distinct disadvantage of an international strategy is _____.

- A) restricting the movement of core competencies to local markets
- B) capitalizing on the benefits of global learning
- C) customizing product offerings to local conditions
- D) relying on home managers' knowledge of foreign markets

49) Darvin Foods is an MNE that is in the process of revising its international business strategy. Most of the firm's top executives believe that Darvin should implement a multidomestic strategy. Which of the following conditions would most likely support this type of strategy?

50) Preston Electronics is an MNE with facilities located in Taiwan, Singapore, and Germany. Preston gives its local operations the authority to adapt value activities to prevailing local economic, political, legal, and cultural conditions. Preston is most likely using a(n) _____ strategy.

- A) global
- B) multidomestic
- C) international
- D) continental

51) Johnson & Johnson delegates to its subsidiaries a great deal of authority to respond to local conditions. Many subsidiaries have their own manufacturing, marketing, research, and human resource functions. This value chain configuration illustrates the _____ strategy.

- A) transnational
- B) global
- C) multidomestic
- D) international

52) A disadvantage of the _____ strategy is that firms that adopt this strategy can decentralize too much autonomy to national subsidiaries.

- A) multidomestic
- B) continental
- C) international
- D) transnational

53) Google essentially views the entire world as one market and assumes that there are no fundamental differences among countries with regard to consumers' preferences. Google is engaging a(n) _____ strategy.

- A) international
- B) multidomestic
- C) transnational
- D) global

54) A global strategy tends to be more successful when _____.

- A) buyers are looking for customized products at bargain prices
- B) the industry's product is a commodity
- C) entry barriers are low for new firms
- D) suppliers have little bargaining power

55) The MNE that applies a global strategy aims to _____.

- A) compete essentially the same way wherever the company does business
- B) empower local operations to make decisions about value activities
- C) adapt activities to the industry standards in critical markets
- D) customize its business practices to consumer expectations

56) Which strategy champions worldwide consistency and standardization to support the firm's goal to become the low-cost leader?

- A) international strategy
- B) multidomestic strategy
- C) global strategy
- D) transnational strategy

57) An MNE in which new knowledge and capabilities are developed in both domestic and foreign locations, both independently and jointly, and then diffused throughout the worldwide organization, is following a _____ strategy.

- A) transnational
- B) multidomestic
- C) global
- D) matrix

58) Which of the following is the primary limitation of the transnational strategy?

- A) poor local adaptation
- B) cross-unit coordination difficulties
- C) duplication of subsidiary activities
- D) inability to leverage core competencies

59) Marrin Associates is an MNE with operations in Hong Kong, India, and Canada. The firm strives to leverage its core competencies worldwide, reduce costs by exploiting location economics, and adapt when efficient to local conditions. Marrin is most likely following a(n) _____ strategy.

- A) global
- B) multidomestic
- C) transnational
- D) international

60) The term _____ refers to a global company that thrives on seeking unique ideas and insights from locations around the world and then leveraging that knowledge in international markets.

- A) multidomestic
- B) domestic
- C) metanational
- D) cross-cultural

SHORT ANSWER:

61) What is the Industry Organization (IO) paradigm? Discuss the underlying assumptions of this model.

62) Describe the two basic ways that companies can create value. What role does the value chain play in these methods?

63) What is the difference between primary and secondary activities in the value chain? Describe the functions of configuration and coordination in these value activities.

64) What is configuration? Briefly list and discuss the factors that influence value chain configuration.

- 65) What is coordination? Describe the factors that influence value chain coordination.
- 66) Describe the pressures for local responsiveness that international companies face.
- 67) Discuss the characteristics of international, multidomestic, global, and transnational strategies. Include situations and a specific example in which each strategy would be most appropriate.
- 68) In a brief essay, discuss the strategy used by Zara, the firm described in the opening case. Also discuss the features of Zara's value chain.
- 69) What is the relationship between the five-forces model and a firm's international business strategy? Provide examples to illustrate your answer.
- 70) What are core competencies? How do firms that adopt an international strategy utilize their core competencies? How do firms that adopt a transnational strategy utilize their core competencies?